

Voyageur ASSET MANAGEMENT INC.

***Penn Manor School District General
Fund
August 31, 2006***

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Economic Review & Outlook – 2nd Quarter 2006

Fed: The Fed hiked the funds rate by another 25 basis points for the 17th consecutive time since June 2004. The policy language coming out of the meeting indicated a bias toward raising rates further, but was nebulous enough to allow for a pause in policy if the upcoming economic numbers justify it. Clearly the Fed is hoping for a moderation in demand growth that will limit inflation pressures over time. The issue is whether a slowing in demand will occur soon enough to minimize inflation pressures.

Two years have now passed since the Federal Reserve started raising interest rates. Even after this extended period of time, the end to this cycle is still open for debate. Futures markets are currently pricing in a peak Fed funds rate of 5.50%, although that same market is also currently assigning a 16% chance of a 5.75% rate by the end of this year.

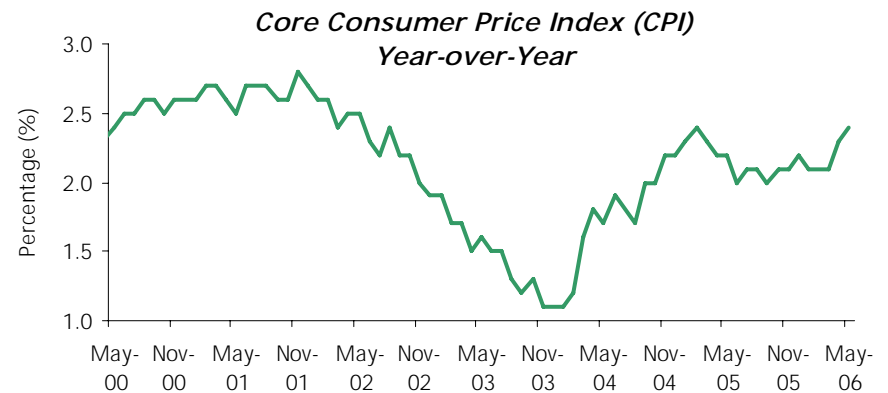
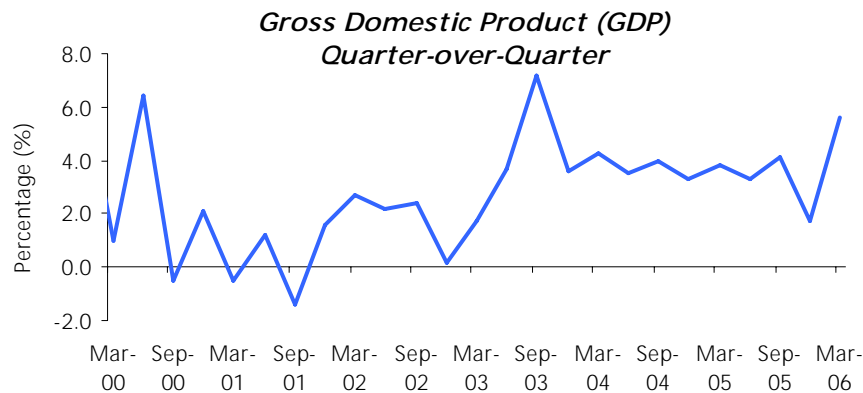
Employment: As economic activity has slowed, employment growth has also decelerated. Growth in non-farm payrolls averaged 213,000 during the November through February period, but has downshifted since, with monthly payroll gains averaging approximately 125,000. The unemployment rate is currently at 4.6%, and should creep higher, but maybe not fast enough to relieve Fed officials' concern about wage inflation pressures.

Economic Growth: Final GDP growth for the first quarter of 5.6% was as expected, but consumer spending was slightly weaker. Looking forward, most economists expect economic growth to slow over the balance of 2006, but few expect the deceleration to be significant. Long-term interest rates have risen near 1% since the beginning of the year, but current levels are having only a moderate "bite" on the economy.

Housing starts represent only 5% of GDP, but is usually the "swing" factor for GDP. Homebuilding stocks, generally a leading indicator for sales and starts, are 40% lower than their year-ago highs. This is probably one of the clearest signs that the housing market is past its prime and ultimately gives us a vision of future economic growth.

Inflation: The Personal Consumption Expenditures Index (PCE) is not indicating the same worrisome acceleration as the core CPI, mostly because PCE does not weigh housing costs as heavily. Nevertheless, the core PCE has accelerated to 2.1%, slightly above the perceived 2.0% comfort level of the Fed.

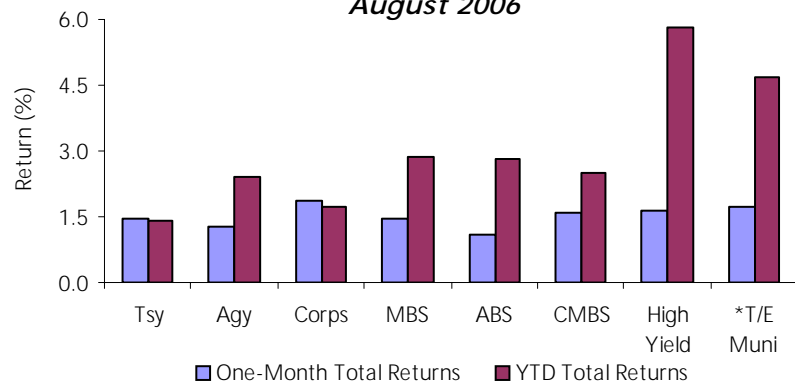
Consumer Confidence: Confidence continues to exist among most consumers. But there is evidence that the best days for the consumer in this cycle may be behind us. While the confidence indicators have been directionless for most of the year, future plans to buy either a home or motor vehicle are generally approaching their weakest readings for the year.



Fixed Income Market Summary

- Early in August the Federal Open Market Committee broke its string of 17 consecutive rate increases by leaving the Funds rate unchanged at 5.25%. In the statement from the Committee, the group commented that economic growth had moderated and that they expected inflation pressures to moderate over time. Almost immediately after the rate pause was made official, both CPI and housing data provided strong support for the FOMC action.
- All fixed income market sectors produced strong total returns for the month of August as interest rates fell across the yield curve. The market has taken on the consensus that the Fed is finished raising interest rates for this cycle. Rates from 2- to 30-years fell on average approximately 20 basis points during the month. Total return in most sectors ranged between 1% and 2% for the month.
- Federal Funds futures markets are now clearly showing an easing of interest rates by the Fed sometime around mid-year 2007. However, a recent Bloomberg survey indicates that the dispersion in the Fed Funds forecast among participants has increased toward a historically wide level.
- The yield curve has taken on a slightly inverted shape as investors and speculators, anticipating the end of the tightening cycle, lengthened durations. As another indicator of the current curve inversion, the 2-year Treasury currently carries a yield that is almost 50 basis points lower than the Fed Funds rate. The last time this portion of the curve was this inverted was just prior to the recession back in 2001.
- Investors continue to be willing to take on risk in portfolios as virtually all spread sectors provided positive excess returns to Treasuries during the month. Credit risk remains in demand as both the investment grade and high yield corporate markets provided the highest total return during the month of all the major taxable fixed income markets.
- Most inflation-linked bonds (TIPS), except for the very longest maturities, underperformed similar-duration Treasuries in August as oil prices have come down from recent highs and inflation fears have receded.

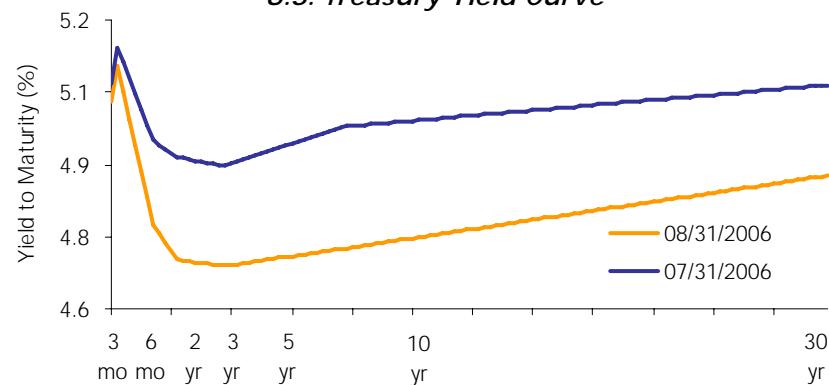
**Fixed Income Total Return Performance by Sector
August 2006**



*Income portion of return adj. at 35% tax rate

Source: Lehman Brothers

U.S. Treasury Yield Curve



Investment Policy Date

7/12/1999

Portfolio Asset Class

Fixed

Investment Strategy

Core Cash Management

Please advise your Relationship Manager or Client Service contact promptly if a revision has been made to your investment policy subsequent to the date shown or in the event of a material change in your current investment strategy.

Your account's investment policy can be viewed online at www.voyageur.net - Clients Only or clients.voyageur.net. Please contact any of your team members listed on the Contacts page with any questions or comments you may have concerning your investment policy or access to our Internet client site.

Portfolio Asset Allocation

Penn Manor School District General Fund

	Quantity (Units)	Amortized Cost	Market Value	Book Yield	Estimated Income	Percent Assets
Cash	1,275,578	1,275,578.45	1,275,578.45	4.86%	61,993.11	5.31%
Fixed Income	23,250,000	22,737,544.14	22,750,875.00	5.17%	0.00	94.69%
Total	24,525,578	24,013,122.59	24,026,453.45	5.15%	61,993.11	100.00%

Fixed Income Holdings

Penn Manor School District General Fund

	Rating	Purchase Date	Quantity (Units)	Security Description	Amortized Cost	Market Value	Unrealized Gain/Loss	Accrued Income	Book Yield	Avg Life	Mod Dur	Percent Assets
Cash/MMF			1,275,578	Cash/Money Market -CASH-	1,275,578.45	1,275,578.45	0.00	0.00	4.86%	0.00	0.00	5.31%
Agency	AGY/AGY	07/07/06	1,000,000	FNMA Discount Note 0.000 09/13/06 313589F65	998,111.39	998,300.00	188.61	0.00	5.23%	0.04	0.04	4.16%
	AGY/AGY	08/16/06	1,250,000	FHLMC Discount Note 0.000 09/27/06 313397H46	1,245,200.00	1,245,375.00	175.00	0.00	5.12%	0.07	0.07	5.18%
	AGY/AGY	08/16/06	1,250,000	FHLMC Discount Note 0.000 10/10/06 313397J93	1,242,854.17	1,243,000.00	145.83	0.00	5.15%	0.11	0.11	5.17%
	AGY/AGY	08/16/06	1,250,000	FHLMC Discount Note 0.000 10/24/06 313397L74	1,240,343.75	1,240,500.00	156.25	0.00	5.15%	0.15	0.15	5.16%
	AGY/AGY	08/16/06	1,250,000	FNMA Discount Note 0.000 11/08/06 313589N66	1,237,747.71	1,237,875.00	127.29	0.00	5.11%	0.19	0.19	5.15%
	AGY/AGY	08/16/06	2,000,000	FHLB Discount Note 0.000 11/15/06 313385P59	1,978,297.78	1,978,600.00	302.22	0.00	5.14%	0.21	0.21	8.24%
	AGY/AGY	07/11/06	750,000	FNMA Discount Note 0.000 11/29/06 313589R39	740,081.25	740,475.00	393.75	0.00	5.29%	0.25	0.25	3.08%
	AGY/AGY	08/16/06	1,500,000	FHLMC Discount Note 0.000 12/06/06 313397S28	1,479,266.25	1,479,450.00	183.75	0.00	5.13%	0.27	0.27	6.16%
	AGY/AGY	08/22/06	2,000,000	FNMA Discount Note 0.000 12/20/06 313589T86	1,968,334.16	1,968,600.00	265.84	0.00	5.14%	0.30	0.30	8.19%
	AGY/AGY	08/22/06	2,000,000	FNMA Discount Note 0.000 02/14/07 313588BW4	1,952,330.78	1,952,800.00	469.22	0.00	5.14%	0.46	0.46	8.13%
	AGY/AGY	08/22/06	2,000,000	FHLMC Discount Note 0.000 04/11/07 313396EE9	1,936,692.78	1,937,400.00	707.22	0.00	5.11%	0.61	0.61	8.06%
	AGY/AGY	07/07/06	1,000,000	FHLMC Discount Note 0.000 05/09/07 313396FJ7	963,326.11	964,900.00	1,573.89	0.00	5.26%	0.69	0.69	4.02%
	AGY/AGY	07/05/06	2,000,000	FHLMC Discount Note 0.000 05/29/07 313396GE7	1,920,928.23	1,924,200.00	3,271.77	0.00	5.25%	0.74	0.74	8.01%
	AGY/AGY	08/16/06	2,000,000	FNMA Discount Note 0.000 05/31/07 313588GG4	1,922,650.00	1,923,600.00	950.00	0.00	5.10%	0.75	0.75	8.01%
	AGY/AGY	07/05/06	2,000,000	FNMA Discount Note 0.000 06/29/07 313588HM0	1,911,379.78	1,915,800.00	4,420.22	0.00	5.28%	0.83	0.83	7.97%
Subtotal			23,250,000		22,737,544.14	22,750,875.00	13,330.86	0.00	5.17%	0.42	0.42	94.69%
Total			24,525,578		24,013,122.59	24,026,453.45	13,330.86	0.00	5.15%	0.39	0.39	100.00%

Transaction Detail

Penn Manor School District General Fund

Trade Date	Settlement Date	Trans Type	Quantity (Units)	CUSIP	Security Description		Trans Price	Net Amount	Trade Yield	Realized Gain/Loss
08/30/06	08/30/06	Mature	1,000,000	313589D83	FNMA Discount Note	0.000 08/30/06	100.000	1,000,000.00		0.00
08/22/06	08/23/06	Buy	2,000,000	313396EE9	FHLMC Discount Note	0.000 04/11/07	96.721	1,934,421.67	5.33%	0.00
08/22/06	08/23/06	Buy	2,000,000	313589T86	FNMA Discount Note	0.000 12/20/06	98.303	1,966,051.94	5.30%	0.00
08/22/06	08/23/06	Buy	2,000,000	313588BW4	FNMA Discount Note	0.000 02/14/07	97.502	1,950,047.22	5.34%	0.00
08/21/06	08/21/06	Contr	3,000,000	-CASH-	Cash/Money Market			3,000,000.00		0.00
08/16/06	08/17/06	Buy	2,000,000	313385P59	FHLB Discount Note	0.000 11/15/06	98.715	1,974,300.00	5.28%	0.00
08/16/06	08/17/06	Buy	1,500,000	313397S28	FHLMC Discount Note	0.000 12/06/06	98.418	1,476,273.75	5.29%	0.00
08/16/06	08/17/06	Buy	1,250,000	313397L74	FHLMC Discount Note	0.000 10/24/06	99.027	1,237,840.28	5.27%	0.00
08/16/06	08/17/06	Buy	1,250,000	313397J93	FHLMC Discount Note	0.000 10/10/06	99.228	1,240,353.13	5.26%	0.00
08/16/06	08/17/06	Buy	1,250,000	313397H46	FHLMC Discount Note	0.000 09/27/06	99.417	1,242,711.11	5.22%	0.00
08/16/06	08/17/06	Buy	1,250,000	313589N66	FNMA Discount Note	0.000 11/08/06	98.821	1,235,261.74	5.25%	0.00
08/16/06	08/17/06	Buy	2,000,000	313588GG4	FNMA Discount Note	0.000 05/31/07	95.934	1,918,683.33	5.34%	0.00
08/16/06	08/16/06	Mature	2,500,000	313385C20	FHLB Discount Note	0.000 08/16/06	100.000	2,500,000.00		0.00
08/09/06	08/09/06	Contr	9,500,000	-CASH-	Cash/Money Market			9,500,000.00		0.00
08/02/06	08/02/06	Mature	1,000,000	313385A48	FHLB Discount Note	0.000 08/02/06	100.000	1,000,000.00		0.00
Total										0.00

Cash Reconciliation

<i>Beginning Cash Balance</i>	<i>436,135.67</i>
Buy	-16,175,944.17
Contr	12,500,000.00
Income	15,386.95
Mature	4,500,000.00
<i>Ending Cash Balance</i>	<i>1,275,578.45</i>

Summary of Portfolio Changes

Penn Manor School District General Fund

<i>Beginning Market Value plus Accrued Income</i>		11,424,911.15
Contributions	12,500,000.00	
Withdrawal / Management Fee	0.00	
<i>Total Contributions, Withdrawals, and Management Fee</i>		12,500,000.00
Interest Received	15,386.95	
Interest Purchased	0.00	
Amortization Change	68,722.13	
Ending Accrued Income	0.00	
Beginning Accrued Income	0.00	
Accrued Income Change	0.00	
<i>Total Earned Income</i>		84,109.08
Ending Market Value	24,026,453.45	
Ending Book Value	(24,013,122.59)	13,330.86
Beginning Market Value	11,424,911.15	
Beginning Book Value	(11,429,013.51)	(4,102.36)
Change in Unrealized Gain/Loss	17,433.22	
Realized Gain/Loss	0.00	
<i>Change in Market Value</i>		17,433.22
<i>Total Investment Change</i>		12,601,542.30
<i>Ending Market Value plus Accrued Income</i>		24,026,453.45

Amortization Reconciliation

Penn Manor School District General Fund

Purchase / Sale Date	Quantity (Units)	Security Description	Ending Market Value	Original Cost	Beginning Book Value	Principal Purchased	Current Month Am/Ac	Principal Received	Realized Gain/Loss	Ending Book Value	Unrealized Gain/Loss
	1,275,578.00	Cash/Money Market	1,275,578.45	1,275,578.45	436,135.67	839,442.78	0.00	0.00	0.00	1,275,578.45	0.00
		-CASH-									
08/16/06	2,000,000.00	FHLB Discount Note 0.000 11/15/06 313385P59	1,978,600.00	1,974,300.00	0.00	1,974,300.00	3,997.78	0.00	0.00	1,978,297.78	302.22
08/22/06	2,000,000.00	FHLMC Discount Note 0.000 04/11/07 313396EE9	1,937,400.00	1,934,421.67	0.00	1,934,421.67	2,271.11	0.00	0.00	1,936,692.78	707.22
07/07/06	1,000,000.00	FHLMC Discount Note 0.000 05/09/07 313396FJ7	964,900.00	955,728.33	958,796.66	0.00	4,529.45	0.00	0.00	963,326.11	1,573.89
07/05/06	2,000,000.00	FHLMC Discount Note 0.000 05/29/07 313396GE7	1,924,200.00	1,904,588.67	1,911,883.11	0.00	9,045.12	0.00	0.00	1,920,928.23	3,271.77
08/16/06	1,250,000.00	FHLMC Discount Note 0.000 09/27/06 313397H46	1,245,375.00	1,242,711.11	0.00	1,242,711.11	2,488.89	0.00	0.00	1,245,200.00	175.00
08/16/06	1,250,000.00	FHLMC Discount Note 0.000 10/10/06 313397J93	1,243,000.00	1,240,353.13	0.00	1,240,353.13	2,501.04	0.00	0.00	1,242,854.17	145.83
08/16/06	1,250,000.00	FHLMC Discount Note 0.000 10/24/06 313397L74	1,240,500.00	1,237,840.28	0.00	1,237,840.28	2,503.47	0.00	0.00	1,240,343.75	156.25
08/16/06	1,500,000.00	FHLMC Discount Note 0.000 12/06/06 313397S28	1,479,450.00	1,476,273.75	0.00	1,476,273.75	2,992.50	0.00	0.00	1,479,266.25	183.75
08/22/06	2,000,000.00	FNMA Discount Note 0.000 02/14/07 313588BW4	1,952,800.00	1,950,047.22	0.00	1,950,047.22	2,283.56	0.00	0.00	1,952,330.78	469.22
08/16/06	2,000,000.00	FNMA Discount Note 0.000 05/31/07 313588GG4	1,923,600.00	1,918,683.33	0.00	1,918,683.33	3,966.67	0.00	0.00	1,922,650.00	950.00
07/05/06	2,000,000.00	FNMA Discount Note 0.000 06/29/07 313588HM0	1,915,800.00	1,894,946.89	1,902,283.00	0.00	9,096.78	0.00	0.00	1,911,379.78	4,420.22
07/07/06	1,000,000.00	FNMA Discount Note 0.000 09/13/06 313589F65	998,300.00	990,556.94	993,607.78	0.00	4,503.61	0.00	0.00	998,111.39	188.61
08/16/06	1,250,000.00	FNMA Discount Note 0.000 11/08/06 313589N66	1,237,875.00	1,235,261.74	0.00	1,235,261.74	2,485.97	0.00	0.00	1,237,747.71	127.29
07/11/06	750,000.00	FNMA Discount Note 0.000 11/29/06 313589R39	740,475.00	734,570.83	736,664.79	0.00	3,416.46	0.00	0.00	740,081.25	393.75
08/22/06	2,000,000.00	FNMA Discount Note 0.000 12/20/06 313589T86	1,968,600.00	1,966,051.94	0.00	1,966,051.94	2,282.22	0.00	0.00	1,968,334.16	265.84
07/07/06		FHLB Discount Note 0.000 08/02/06 313385A48			999,713.61	0.00	286.39	1,000,000.00	0.00	0.00	0.00
07/07/06		FHLB Discount Note 0.000 08/16/06 313385C20			2,494,262.22	0.00	5,737.78	2,500,000.00	0.00	0.00	0.00
07/07/06		FNMA Discount Note 0.000 08/30/06 313589D83			995,666.67	0.00	4,333.33	1,000,000.00	0.00	0.00	0.00
Total			24,026,453.45	23,931,914.28	11,429,013.51	17,015,386.95	68,722.13	4,500,000.00	0.00	24,013,122.59	13,330.86

Income Reconciliation

Penn Manor School District General Fund

Purchase Date	Sale Date	CUSIP	Quantity (Units)	Security Description	Coupon Rate	Maturity Date	Beginning Accrued Income	Current Month Int. Earned	Interest Purchased	Interest Received	Ending Accrued Income
		-CASH-	1,275,578.00	Cash/Money Market			0.00	15,386.95	0.00	15,386.95	0.00
08/16/06		313385P59	2,000,000.00	FHLB Discount Note	0.000	11/15/06	0.00	0.00	0.00	0.00	0.00
08/22/06		313396EE9	2,000,000.00	FHLMC Discount Note	0.000	04/11/07	0.00	0.00	0.00	0.00	0.00
07/07/06		313396FJ7	1,000,000.00	FHLMC Discount Note	0.000	05/09/07	0.00	0.00	0.00	0.00	0.00
07/05/06		313396GE7	2,000,000.00	FHLMC Discount Note	0.000	05/29/07	0.00	0.00	0.00	0.00	0.00
08/16/06		313397H46	1,250,000.00	FHLMC Discount Note	0.000	09/27/06	0.00	0.00	0.00	0.00	0.00
08/16/06		313397J93	1,250,000.00	FHLMC Discount Note	0.000	10/10/06	0.00	0.00	0.00	0.00	0.00
08/16/06		313397L74	1,250,000.00	FHLMC Discount Note	0.000	10/24/06	0.00	0.00	0.00	0.00	0.00
08/16/06		313397S28	1,500,000.00	FHLMC Discount Note	0.000	12/06/06	0.00	0.00	0.00	0.00	0.00
08/22/06		313588BW4	2,000,000.00	FNMA Discount Note	0.000	02/14/07	0.00	0.00	0.00	0.00	0.00
08/16/06		313588GG4	2,000,000.00	FNMA Discount Note	0.000	05/31/07	0.00	0.00	0.00	0.00	0.00
07/05/06		313588HM0	2,000,000.00	FNMA Discount Note	0.000	06/29/07	0.00	0.00	0.00	0.00	0.00
07/07/06		313589F65	1,000,000.00	FNMA Discount Note	0.000	09/13/06	0.00	0.00	0.00	0.00	0.00
08/16/06		313589N66	1,250,000.00	FNMA Discount Note	0.000	11/08/06	0.00	0.00	0.00	0.00	0.00
07/11/06		313589R39	750,000.00	FNMA Discount Note	0.000	11/29/06	0.00	0.00	0.00	0.00	0.00
08/22/06		313589T86	2,000,000.00	FNMA Discount Note	0.000	12/20/06	0.00	0.00	0.00	0.00	0.00
07/07/06		313385A48		FHLB Discount Note	0.000	08/02/06	0.00	0.00	0.00	0.00	0.00
07/07/06		313385C20		FHLB Discount Note	0.000	08/16/06	0.00	0.00	0.00	0.00	0.00
07/07/06		313589D83		FNMA Discount Note	0.000	08/30/06	0.00	0.00	0.00	0.00	0.00
Total							0.00	15,386.95	0.00	15,386.95	0.00

Disclaimer

This performance evaluation is provided as a service enabling you to review your overall securities positions on a periodic basis. This evaluation should not be construed as a substitute for your custodian statement. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. The security valuations contained in this evaluation have been obtained from reliable sources. They do not, however, represent guaranteed bids, offers, or markets for securities, and are subject to change. The prices, yields, and maturities have been obtained from sources believed to be reliable, but the data is not necessarily complete, the reliability cannot be guaranteed, and the availability of specific issues are subject to change.

The performance figures in this report represent the past performance of your account and do not guarantee future results. Gross performance returns for the account will be reduced by management fees and any other expenses incurred in the management of the account.

Please advise your Relationship Manager or Client Service contact promptly in the event of a material change in your investment strategy.

Taxable clients are advised to consult with their tax advisor to determine the actual basis to use in tax reporting, as well as with any questions concerning the tax impact of gains or losses on securities or income earned in your account.

Sources of Information: Bloomberg, The Yield Book, FT Interactive Data, Portia, and various other sources from time to time, as may be referenced on the report page of their use.

Portfolio Analytic data such as Market Yield, Average Life, Modified Duration and Effective Duration provided by The Yield Book where available.

Offer of Form ADV

Rule 204-3 of the Investment Advisers Act of 1940 requires all Investment Advisers to deliver annually, or offer to deliver annually, without charge, Form ADV, Part II, to the client. Please submit your written request for Voyager Asset Management Inc.'s Form ADV, Part II, to your Relationship Manager or Client Service contact. Form ADV, Part II, will be mailed within seven (7) days upon receipt of the request.