

Voyageur ASSET MANAGEMENT INC.

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

100 South Fifth Street, Suite 2300
Minneapolis, MN 55402-1240
612.376.7000 • 800.553.2143
612.376.7007 Fax
Boston, MA • Chicago, IL • Lancaster, PA • Washington, DC

Contacts

Portfolio Manager

Michael Stramara
Fixed Income Portfolio Manager
717.519.6009
mstramara@voyageur.net

John Huber, CFA
Chief Investment Officer - Fixed Income
612.376.7080
jhuber@voyageur.net

Portfolio Administrator

Spencer Ung
Fixed Income Portfolio Administrator
612.376.7012
sung@voyageur.net

Client Service Representative

Bridget Tompkins
Managing Director
612.376.7056
btompkins@voyageur.net

Jean Daleki
Associate Vice President
612.376.7013
jdaleki@voyageur.net

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Economic Review & Outlook – 4th Quarter 2006

Fed Policy: The Federal Open Market Committee left the Federal Funds rate unchanged at 5.25% at its final two meetings of 2006. Current market sentiment now reflects an expectation of a Funds rate cut by the Fed sometime around mid-year, 2007.

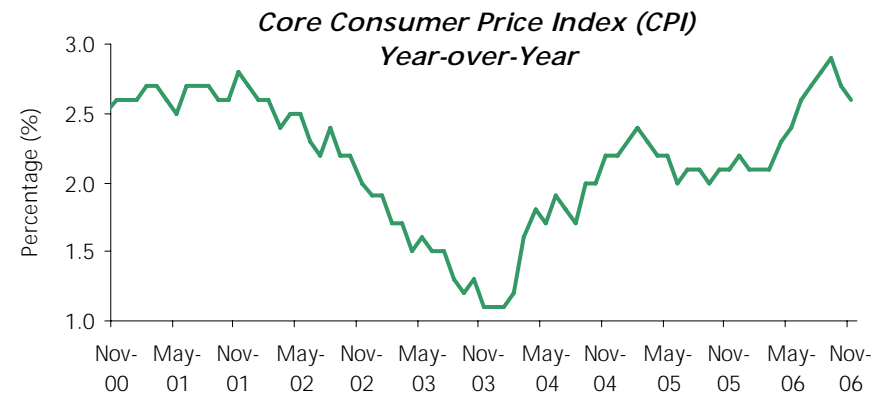
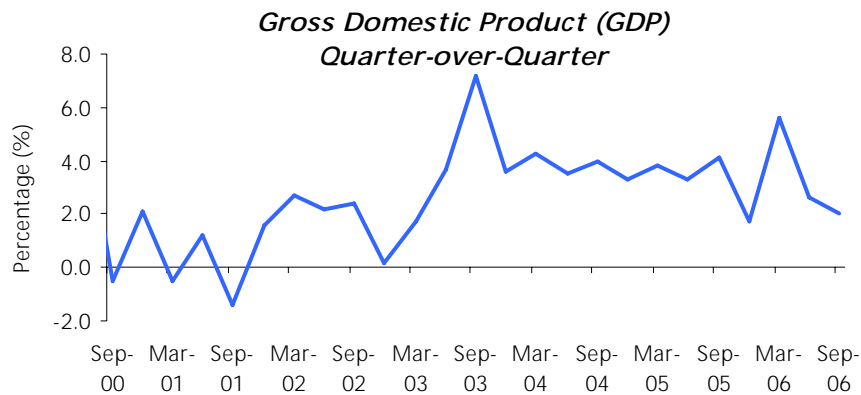
Inflation: The level of core inflation remained elevated above the Fed's soft target for most of the year, but showed some moderation toward the Fed's target over the final quarter. High levels of resource utilization, both in terms of business capacity and employment, have the potential to keep inflation elevated.

Economic Growth: Economic growth slowed over the course of 2006, ending the third quarter with a 2.0% change on a quarter-over-quarter basis. Recent indicators have been mixed with expectations for a moderate expansion of the economy during the first couple quarters of the new year.

Employment: Unemployment remains at the lows of the last 5 years, despite a minor up-tick of 0.1% in November. Strong employment remains one of the key elements, along with a drop in energy prices and the stock market rally, supporting the view of moderate, future economic growth.

Consumer Confidence: Confidence rebounded nicely from the low of the year established in August. The consumer remains optimistic despite the housing slowdown and the recent upturn in gasoline prices. Much has been written about the impact of the housing slowdown on the economy, however, most writers forget that at the apparent depth of the housing slowdown, the S&P Index managed to surge almost 12% during the second half of 2006.

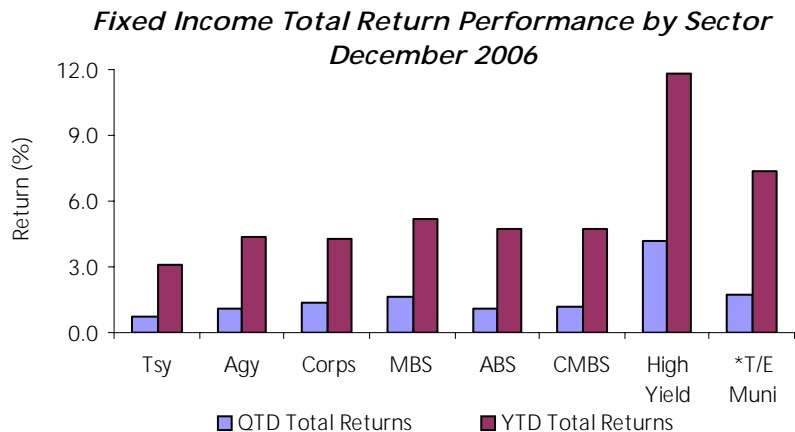
Housing: Home prices have been steadily falling as the median price fell 3.1% year-over-year in November – marking the fourth consecutive monthly decline. Inventories of homes remain elevated compared to the last several years, while recent sales of existing and new home sales appear to be stabilizing.



Fixed Income Market Summary

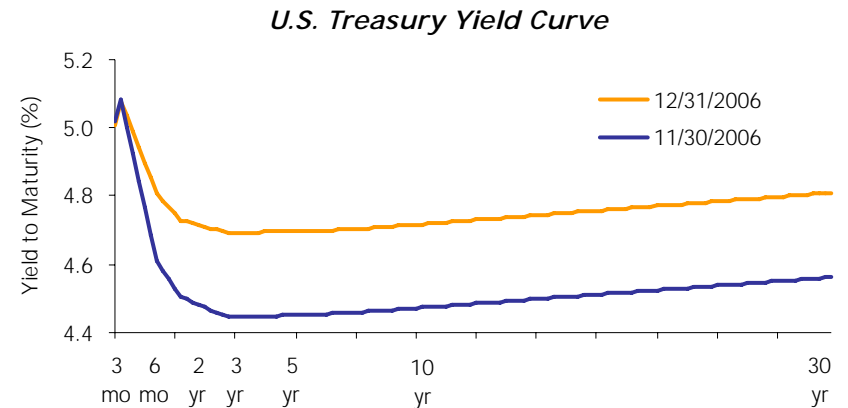
- Interest rates were higher over the month of December leading to marginally higher rates over the final quarter of the year as well. The result was a less inverted Treasury yield curve. Economic data during the quarter was mixed, but did not support the "hard" landing that was indicated through market expectations shortly after the Fed paused at mid-year.
- The performance of taxable high yield bonds led all major fixed income sectors during the final quarter of the year. Total return for high yield bonds more than doubled the returns of other fixed income sectors, posting a very strong 4.20%. The performance of this sector of the bond market was not limited to the previous quarter. Returns on a year-to-date basis in this sector approached 12%, while the next closest taxable sector returned slightly over 5%.
- Interest rate volatility continued to fall throughout all of 2006 and ended the year at the lowest level of the last two years. This allowed investors in bonds with options to capture a significant income advantage while also benefiting from a decline in the value of the option.

- Market expectations of any future interest rate cuts have shifted since the middle of the year when the Fed stopped raising rates. When the Fed last raised rates on June 29th, the markets were convinced that the FOMC would begin cutting rates as early as January 2007. A rebound in home sales and a rise in consumer confidence in the final month of the year pushed the market's expectations of the first rate cut toward the middle of 2007.
- Several data releases during the final two months of the year were troubling to the fixed income markets. Both mortgage and subprime loan delinquencies moved sharply higher indicating the need for investors in structured mortgage products to take a much more careful look at the underlying collateral of existing and new issue deals.
- Investors were rewarded over the course of 2006, and especially during the final quarter, to invest in fixed income sectors with incremental yield spread over Treasury securities. Low volatility, moderate economic growth, and the end of the Fed tightening cycle all contributed to spread product performance during 2006.



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

Source: Lehman Brothers



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	959,723	959,723.09	959,723.09	4.48%	42,995.59	3.45%
Fixed Income	27,250,000	26,834,498.14	26,849,425.00	5.14%	0.00	96.55%
Total	28,209,723	27,794,221.23	27,809,148.09	5.11%	42,995.59	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			959,723	Cash/Money Market -CASH-	959,723.09	959,723.09	0.00	0.00	4.48%	0.00	0.00	3.45%
Agency	AGY/AGY	09/06/06	1,250,000	FNMA Discount Note 0.000 01/03/07 313588AC9	1,249,465.63	1,250,000.00	534.37	0.00	5.13%	0.01	0.01	4.49%
	AGY/AGY	11/13/06	1,250,000	FNMA Discount Note 0.000 01/17/07 313588AS4	1,246,960.07	1,247,500.00	539.93	0.00	5.15%	0.04	0.04	4.49%
	AGY/AGY	09/06/06	1,250,000	FNMA Discount Note 0.000 01/31/07 313588BG9	1,244,488.89	1,245,000.00	511.11	0.00	5.12%	0.08	0.08	4.48%
	AGY/AGY	08/22/06	2,000,000	FNMA Discount Note 0.000 02/14/07 313588BW4	1,987,155.00	1,988,000.00	845.00	0.00	5.14%	0.12	0.12	7.15%
	AGY/AGY	09/06/06	1,500,000	FNMA Discount Note 0.000 02/28/07 313588CL7	1,487,413.33	1,488,000.00	586.67	0.00	5.12%	0.15	0.15	5.35%
	AGY/AGY	11/29/06	1,500,000	FNMA Discount Note 0.000 03/14/07 313588DA0	1,484,408.42	1,485,000.00	591.58	0.00	5.12%	0.19	0.19	5.34%
	AGY/AGY	09/06/06	1,500,000	FHLMC Discount Note 0.000 03/28/07 313396DQ3	1,481,512.50	1,482,150.00	637.50	0.00	5.10%	0.23	0.23	5.33%
	AGY/AGY	08/22/06	2,000,000	FHLMC Discount Note 0.000 04/11/07 313396EE9	1,971,327.22	1,972,200.00	872.78	0.00	5.11%	0.27	0.27	7.09%
	AGY/AGY	11/13/06	1,750,000	FNMA Discount Note 0.000 04/25/07 313588EU5	1,721,521.53	1,722,175.00	653.47	0.00	5.10%	0.31	0.31	6.19%
	AGY/AGY	07/07/06	1,000,000	FHLMC Discount Note 0.000 05/09/07 313396FJ7	981,151.67	982,200.00	1,048.33	0.00	5.26%	0.35	0.35	3.53%
	AGY/AGY	11/29/06	1,000,000	FNMA Discount Note 0.000 05/09/07 313588FJ9	981,832.50	982,200.00	367.50	0.00	5.07%	0.35	0.35	3.53%
	AGY/AGY	09/06/06	1,500,000	FHLMC Discount Note 0.000 05/23/07 313396FY4	1,469,910.42	1,470,300.00	389.58	0.00	5.05%	0.38	0.38	5.29%
	AGY/AGY	07/05/06	3,250,000	FHLMC Discount Note 0.000 05/29/07 313396GE7	3,180,294.91	3,183,050.00	2,755.09	0.00	5.25%	0.40	0.40	11.45%
	AGY/AGY	08/16/06	2,000,000	FNMA Discount Note 0.000 05/31/07 313588GG4	1,957,216.67	1,958,200.00	983.33	0.00	5.10%	0.41	0.41	7.04%
	AGY/AGY	09/06/06	1,250,000	FNMA Discount Note 0.000 06/06/07 313588GN9	1,222,525.00	1,222,875.00	350.00	0.00	5.04%	0.42	0.42	4.40%
	AGY/AGY	09/06/06	1,250,000	FNMA Discount Note 0.000 06/20/07 313588HC2	1,220,134.38	1,220,375.00	240.62	0.00	5.03%	0.46	0.46	4.39%
	AGY/AGY	07/05/06	2,000,000	FNMA Discount Note 0.000 06/29/07 313588HM0	1,947,180.00	1,950,200.00	3,020.00	0.00	5.28%	0.49	0.49	7.01%
Subtotal			27,250,000		26,834,498.14	26,849,425.00	14,926.86	0.00	5.14%	0.29	0.29	96.55%
Total			28,209,723		27,794,221.23	27,809,148.09	14,926.86	0.00	5.11%	0.28	0.28	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
12/20/06	12/20/06	Mature	2,000,000	313589T86	FNMA Discount Note	0.000 12/20/06	100.000	2,000,000.00		0.00
12/20/06	12/20/06	Wdrwl	1,400,000	-CASH-	Cash/Money Market			1,400,000.00		0.00
12/15/06	12/18/06	Buy	500,000	313588EU5	FNMA Discount Note	0.000 04/25/07	98.190	490,951.11	5.26%	0.00
12/15/06	12/18/06	Buy	500,000	313588DA0	FNMA Discount Note	0.000 03/14/07	98.772	493,860.56	5.28%	0.00
12/06/06	12/06/06	Mature	1,500,000	313397S28	FHLMC Discount Note	0.000 12/06/06	100.000	1,500,000.00		0.00
12/06/06	12/06/06	Wdrwl	1,500,000	-CASH-	Cash/Money Market			1,500,000.00		0.00
12/01/06	12/01/06	Sell	1,000,000	313588DA0	FNMA Discount Note	0.000 03/14/07	98.535	985,351.11	5.27%	-137.34
Total										-137.34

Cash Reconciliation

Penn Manor School District General Fund

<i>Beginning Cash Balance</i>	<i>354,565.52</i>
Buy	-984,811.67
Wdrwl	-2,900,000.00
Income	4,618.13
Mature	3,500,000.00
Sell	985,351.11
<i>Ending Cash Balance</i>	<i>959,723.09</i>

Summary of Portfolio Changes

Penn Manor School District General Fund

<i>Beginning Market Value plus Accrued Income</i>		30,576,290.52
Contributions	0.00	
Withdrawal / Management Fee	(2,900,000.00)	
<i>Total Contributions, Withdrawals, and Management Fee</i>		(2,900,000.00)
Interest Received	4,618.13	
Interest Purchased	0.00	
Amortization Change	124,935.87	
Ending Accrued Income	0.00	
Beginning Accrued Income	0.00	
Accrued Income Change	0.00	
<i>Total Earned Income</i>		129,554.00
Ending Market Value	27,809,148.09	
Ending Book Value	(27,794,221.23)	14,926.86
Beginning Market Value	30,576,290.52	
Beginning Book Value	(30,564,804.57)	11,485.95
Change in Unrealized Gain/Loss	3,440.91	
Realized Gain/Loss	(137.34)	
<i>Change in Market Value</i>		3,303.57
<i>Total Investment Change</i>		(2,767,142.43)
<i>Ending Market Value plus Accrued Income</i>		27,809,148.09

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
	959,723.00	Cash/Money Market	959,723.09	959,723.09	354,565.52	605,157.57	0.00	0.00	0.00	959,723.09	0.00
		-CASH-									
09/06/06	1,500,000.00	FHLMC Discount Note 0.000 03/28/07 313396DQ3	1,482,150.00	1,457,075.00	1,474,925.00	0.00	6,587.50	0.00	0.00	1,481,512.50	637.50
08/22/06	2,000,000.00	FHLMC Discount Note 0.000 04/11/07 313396EE9	1,972,200.00	1,934,421.67	1,962,526.67	0.00	8,800.55	0.00	0.00	1,971,327.22	872.78
07/07/06	1,000,000.00	FHLMC Discount Note 0.000 05/09/07 313396FJ7	982,200.00	955,728.33	976,622.22	0.00	4,529.45	0.00	0.00	981,151.67	1,048.33
09/06/06	1,500,000.00	FHLMC Discount Note 0.000 05/23/07 313396FY4	1,470,300.00	1,445,712.50	1,463,387.50	0.00	6,522.92	0.00	0.00	1,469,910.42	389.58
07/05/06	3,250,000.00	FHLMC Discount Note 0.000 05/29/07 313396GE7	3,183,050.00	3,121,492.84	3,165,792.51	0.00	14,502.40	0.00	0.00	3,180,294.91	2,755.09
09/06/06	1,250,000.00	FNMA Discount Note 0.000 01/03/07 313588AC9	1,250,000.00	1,228,981.25	1,243,943.75	0.00	5,521.88	0.00	0.00	1,249,465.63	534.37
11/13/06	1,250,000.00	FNMA Discount Note 0.000 01/17/07 313588AS4	1,247,500.00	1,238,555.56	1,241,416.67	0.00	5,543.40	0.00	0.00	1,246,960.07	539.93
09/06/06	1,250,000.00	FNMA Discount Note 0.000 01/31/07 313588BG9	1,245,000.00	1,224,044.44	1,238,977.78	0.00	5,511.11	0.00	0.00	1,244,488.89	511.11
08/22/06	2,000,000.00	FNMA Discount Note 0.000 02/14/07 313588BW4	1,988,000.00	1,950,047.22	1,978,306.22	0.00	8,848.78	0.00	0.00	1,987,155.00	845.00
09/06/06	1,500,000.00	FNMA Discount Note 0.000 02/28/07 313588CL7	1,488,000.00	1,462,880.00	1,480,800.00	0.00	6,613.33	0.00	0.00	1,487,413.33	586.67
10/13/06	1,500,000.00	FNMA Discount Note 0.000 03/14/07 313588DA0	1,485,000.00	1,478,930.14	1,970,559.33	493,860.56	5,476.98	985,351.11	-137.34	1,484,408.42	591.58
12/01/06											
11/13/06	1,750,000.00	FNMA Discount Note 0.000 04/25/07 313588EU5	1,722,175.00	1,712,286.11	1,224,166.11	490,951.11	6,404.31	0.00	0.00	1,721,521.53	653.47
11/29/06	1,000,000.00	FNMA Discount Note 0.000 05/09/07 313588FJ9	982,200.00	977,325.83	977,466.66	0.00	4,365.84	0.00	0.00	981,832.50	367.50
08/16/06	2,000,000.00	FNMA Discount Note 0.000 05/31/07 313588GG4	1,958,200.00	1,918,683.33	1,948,433.33	0.00	8,783.34	0.00	0.00	1,957,216.67	983.33
09/06/06	1,250,000.00	FNMA Discount Note 0.000 06/06/07 313588GN9	1,222,875.00	1,202,400.00	1,217,100.00	0.00	5,425.00	0.00	0.00	1,222,525.00	350.00
09/06/06	1,250,000.00	FNMA Discount Note 0.000 06/20/07 313588HC2	1,220,375.00	1,200,049.31	1,214,720.14	0.00	5,414.24	0.00	0.00	1,220,134.38	240.62
07/05/06	2,000,000.00	FNMA Discount Note 0.000 06/29/07 313588HM0	1,950,200.00	1,894,946.89	1,938,083.22	0.00	9,096.78	0.00	0.00	1,947,180.00	3,020.00
08/16/06		FHLMC Discount Note 0.000 12/06/06 313397S28			1,498,717.50	0.00	1,282.50	1,500,000.00	0.00	0.00	0.00
08/22/06		FNMA Discount Note 0.000 12/20/06 313589T86			1,994,294.44	0.00	5,705.56	2,000,000.00	0.00	0.00	0.00

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
Total			27,809,148.09	27,363,283.51	30,564,804.57	1,589,969.24	124,935.87	4,485,351.11	-137.34	27,794,221.23	14,926.86

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-	959,723.00	Cash/Money Market			0.00	4,618.13	0.00	4,618.13	0.00
09/06/06		313396DQ3	1,500,000.00	FHLMC Discount Note	0.000	03/28/07	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
09/06/06		313396FY4	1,500,000.00	FHLMC Discount Note	0.000	05/23/07	0.00	0.00	0.00	0.00	0.00
07/05/06		313396GE7	3,250,000.00	FHLMC Discount Note	0.000	05/29/07	0.00	0.00	0.00	0.00	0.00
09/06/06		313588AC9	1,250,000.00	FNMA Discount Note	0.000	01/03/07	0.00	0.00	0.00	0.00	0.00
11/13/06		313588AS4	1,250,000.00	FNMA Discount Note	0.000	01/17/07	0.00	0.00	0.00	0.00	0.00
09/06/06		313588BG9	1,250,000.00	FNMA Discount Note	0.000	01/31/07	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
09/06/06		313588CL7	1,500,000.00	FNMA Discount Note	0.000	02/28/07	0.00	0.00	0.00	0.00	0.00
10/13/06	12/01/06	313588DA0	1,500,000.00	FNMA Discount Note	0.000	03/14/07	0.00	0.00	0.00	0.00	0.00
11/13/06		313588EU5	1,750,000.00	FNMA Discount Note	0.000	04/25/07	0.00	0.00	0.00	0.00	0.00
11/29/06		313588FJ9	1,000,000.00	FNMA Discount Note	0.000	05/09/07	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
09/06/06		313588GN9	1,250,000.00	FNMA Discount Note	0.000	06/06/07	0.00	0.00	0.00	0.00	0.00
09/06/06		313588HC2	1,250,000.00	FNMA Discount Note	0.000	06/20/07	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
08/16/06		313397S28		FHLMC Discount Note	0.000	12/06/06	0.00	0.00	0.00	0.00	0.00
08/22/06		313589T86		FNMA Discount Note	0.000	12/20/06	0.00	0.00	0.00	0.00	0.00
Total							0.00	4,618.13	0.00	4,618.13	0.00

Disclaimer

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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.

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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

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