

Voyageur ASSET MANAGEMENT INC.

***Penn Manor School District General
Fund
July 31, 2007***

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

Table of Contents

Market Overview

Page 1

Account Investment Strategy

Page 3

Portfolio Asset Allocation

Page 4

Fixed Income Holdings

Page 5

Transaction Detail

Page 6

Cash Reconciliation

Page 7

Summary of Portfolio Changes

Page 8

Amortization Reconciliation

Page 9

Income Reconciliation

Page 10

Disclaimer

Page 11

Economic Review – 2nd Quarter 2007

Fed: The Federal Reserve held the federal funds rate steady at 5.25% for the 8th consecutive meeting last week. The FOMC statement indicated a Fed firmly on hold for the foreseeable future. It also maintained an inflation bias stating that "readings on core inflation have improved modestly in recent months". However, hopes of a quick interest rate shift were dashed by the FOMC's words "a sustained moderation in inflation pressures has yet to be convincingly demonstrated." The Fed acknowledged the downshift in economic growth from the housing sector, but indicated that future growth will move back to trend levels.

Inflation: As the quarter closed, core personal consumption expenditures, PCE, fell inside of the Fed's target zone for inflation. Both the Fed and the markets are concerned that the recent moderation in prices may prove temporary as manufacturing growth and pricing power firms. The high level of employment is also drawing concern as unit labor costs are expected to lift core price inflation should the economy strengthen as expected.

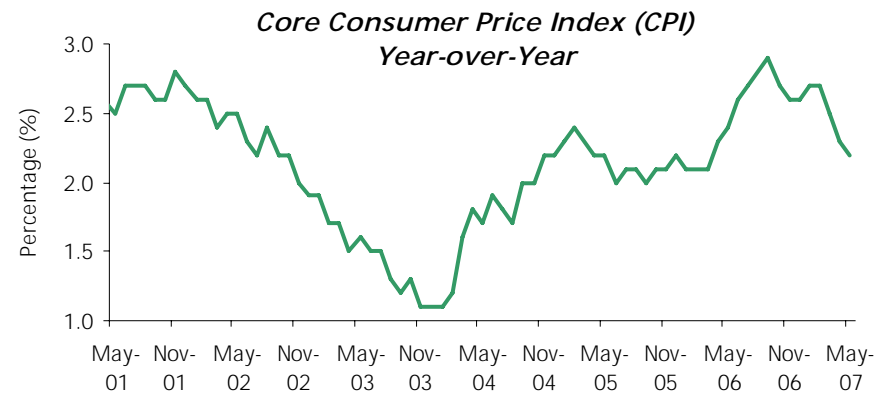
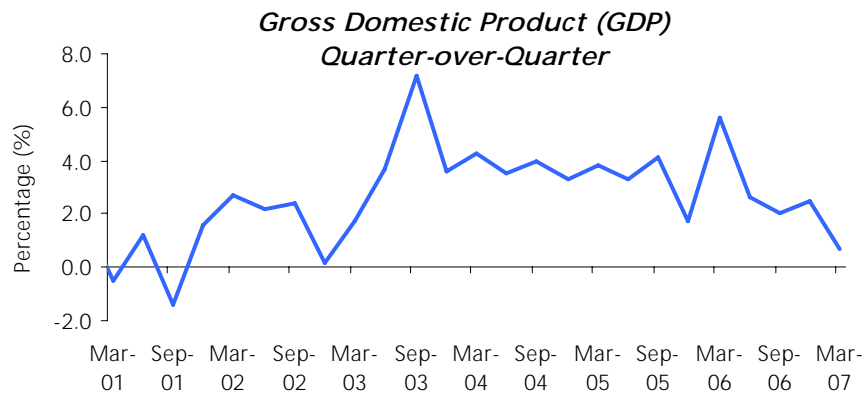
Consumer Confidence: Recent reports in this area show signs of some deterioration in consumer perceptions. Labor market prospects within the confidence indices remain mixed as consumers perceive a softening in current business and employment conditions. Higher gas prices, equity market volatility, rising interest rates, and continued poor housing indicators are also all weighing on the consumer mood.

Economic Growth: Real GDP for the first quarter was finalized at 0.7%, quarter-over-quarter, annualized. The final number indicated a modest drawdown in the level of inventories, which bodes well for second quarter growth estimates. Most economists are forecasting second quarter growth closer to recent trends of the past few years at 2.5% to 3.5%.

Employment: Employment remains the backbone of the current economic environment. Despite the weight of the housing market on the economy, consumers still have jobs allowing them to continue spending. Employment outlook statistics, measuring business's intention to hire in the future, appear firm and look to remain unchanged through the third quarter.

Housing: Data during the quarter did nothing to encourage any optimism among homeowners. Existing home sales continue to decline and show no signs of stabilization. Home price indices also continue to paint a bleak picture of the industry. The indices are now on a streak of 19 consecutive monthly declines in the annual growth rate of home price appreciation.

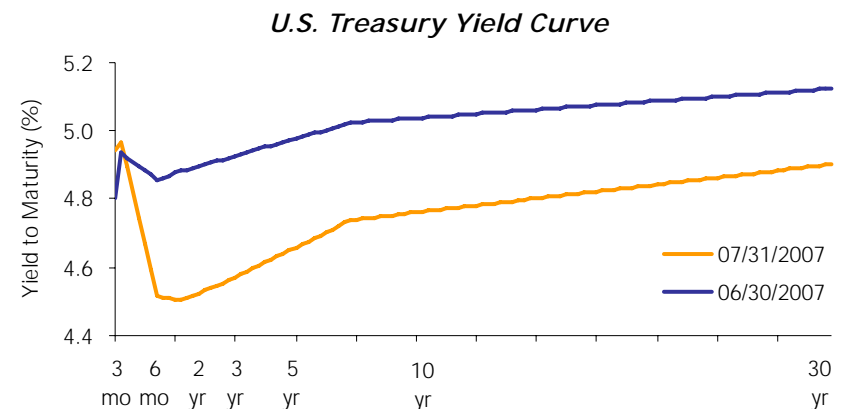
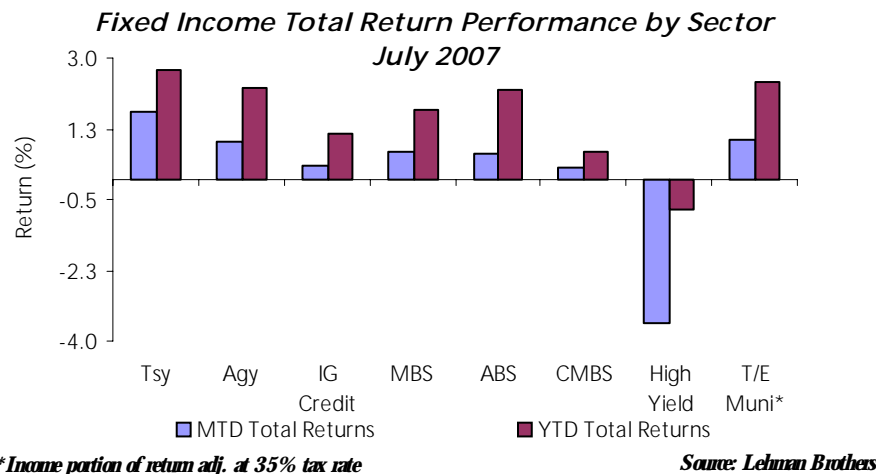
Corporate Earnings: First quarter 2007 earnings, driven by a soft dollar and share buy-backs, came in at 9.0%, greatly exceeding estimates of 3.2%. For the year, projections are in the 8%-9% range, still strong but down considerably from the 15.8% posted in 2006.



Fixed Income Market Summary

- There was a broad-based retreat from risk securities during the past month. Market volatility increased and liquidity moved to the sidelines waiting for cheaper levels. Investors shunned virtually all forms of risk and sought the safety of Treasury securities. This caused Treasury securities to rally dramatically and the spreads of all other fixed income sectors to widen materially. The flight to quality sent Treasury interest rates lower by 20 to 35 basis points during the month.
- A perceived increase in risk pricing caused swap spreads to widen again following last month's hard sell-off. During July, ten-year swaps widened by 10 basis points, following an equal move in June. Swap rates are now at their highest level since early 2002. It is indicative of increasing concerns among investors about delinquencies and eventual losses not yet reported by holders of subprime and lower rated mortgage debt.
- Particularly hard hit last month was the high yield sector, which over the last two years has produced extraordinarily strong positive returns compared to all high quality fixed income sectors. The high yield sector, as measured by Lehman Brothers, declined by 3.54% during the month of July alone. Within this sector, the lower the quality of credit, the more negative the returns were for the month. Ca-D rated companies declined by more than 8% in July.

- Another fixed income sector that showed particularly muted returns in July was investment grade commercial mortgage-backed securities (CMBS). CMBS continue to underperform most key fixed income sectors, despite very high average credit quality. Systemic risk continues to grow across all credit markets, particularly among securitized products, as problems in the residential MBS showed no signs of abating. Even though CMBS currently show historically low delinquency rates, this sector has not been immune to the negative sentiment.
- Similar to CMBS, agency adjustable-rate mortgages (ARMs) and prime AAA-rated MBS pools have been punished significantly. In some cases these high quality mortgage pools are trading more than 4 standard deviations above their one-year averages. Still, most long-term investors seem ready to err on the side of passing up these very attractive levels rather than taking the chance of further widening.
- Liquidity remains poor in all cash securities markets and investors seem to be staging a "buyers strike," waiting for clearer evidence of some stabilization in the residential mortgage sector and the digestion of a significant amount of debt being floated in the credit markets.



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	12,930,087	12,930,087.13	12,930,087.13	4.71%	609,007.10	100.00%
Total	12,930,087	12,930,087.13	12,930,087.13	4.71%	609,007.10	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		12,930,087	Cash/Money Market -CASH-	12,930,087.13	12,930,087.13	0.00	0.00	4.71%	0.00	0.00	100.00%
Total		12,930,087		12,930,087.13	12,930,087.13	0.00	0.00	4.71%	0.00	0.00	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
07/01/07	07/01/07	Contr	3,224	-CASH-	Cash/Money Market		3,224.33		0.00
Total									0.00

Cash Reconciliation

Penn Manor School District General Fund

<i>Beginning Cash Balance</i>	<i>12,878,416.31</i>
Management Fee	-3,224.33
Contr	3,224.33
Income	51,670.82
<i>Ending Cash Balance</i>	<i>12,930,087.13</i>

Summary of Portfolio Changes

Penn Manor School District General Fund

<i>Beginning Market Value plus Accrued Income</i>		<i>12,878,416.31</i>
Contributions	3,224.33	
Withdrawal / Management Fee	(3,224.33)	
<i>Total Contributions, Withdrawals, and Management Fee</i>		<i>0.00</i>
Interest Received	51,670.82	
Interest Purchased	0.00	
Amortization Change	0.00	
Ending Accrued Income	0.00	
Beginning Accrued Income	0.00	
Accrued Income Change	0.00	
<i>Total Earned Income</i>		<i>51,670.82</i>
Ending Market Value	12,930,087.13	
Ending Book Value	(12,930,087.13)	0.00
Beginning Market Value	12,878,416.31	
Beginning Book Value	(12,878,416.31)	0.00
Change in Unrealized Gain/Loss		0.00
Realized Gain/Loss		0.00
<i>Change in Market Value</i>		<i>0.00</i>
<i>Total Investment Change</i>		<i>51,670.82</i>
<i>Ending Market Value plus Accrued Income</i>		<i>12,930,087.13</i>

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
	12,930,087.00	Cash/Money Market	12,930,087.13	12,930,087.13	12,878,416.31	51,670.82	0.00	0.00	0.00	12,930,087.13	0.00
-CASH-											
Total			12,930,087.13	12,930,087.13	12,878,416.31	51,670.82	0.00	0.00	0.00	12,930,087.13	0.00

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-	12,930,087.00	Cash/Money Market			0.00	51,670.82	0.00	51,670.82	0.00
Total							0.00	51,670.82	0.00	51,670.82	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 is 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, State Street Bank and Trust Company, 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.