

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

Filing Date: **1996-12-30** | Period of Report: **1996-10-31**  
SEC Accession No. **0000950137-96-002716**

([HTML Version](#) on [secdatabase.com](#))

### FILER

#### **VAN KAMPEN AMERICAN CAPITAL PENNSYLVANIA VALUE MUNICIPAL TRU**

CIK: **895528** | IRS No.: **367017427** | State of Incorporation: **PA** | Fiscal Year End: **1031**  
Type: **N-30D** | Act: **40** | File No.: **811-07398** | Film No.: **96687913**

Business Address  
*ONE PARKVIEW PLAZA  
OAKBROOK TERRACE IL  
60181  
7086846000*

## TABLE OF CONTENTS

<TABLE>	
<S>	<C>
Letter to Shareholders.....	1
Performance Results.....	4
Portfolio of Investments.....	5
Statement of Assets and Liabilities.....	7
Statement of Operations.....	8
Statement of Changes in Net Assets.....	9
Financial Highlights.....	10
Notes to Financial Statements.....	11
Report of Independent Accountants.....	14
Dividend Reinvestment Plan.....	15

</TABLE>

VPV ANR 12/96

## LETTER TO SHAREHOLDERS

December 10, 1996

Dear Shareholder,

The first ten months of 1996 have been a mixed experience for most municipal bond fund investors. The continuation of the 1995 rally at the beginning of this year was thwarted early on as the economy gained momentum, causing the bond market to sell off. But by the second half of the year, the pattern reversed. Growth slowed and bonds recovered much of their earlier losses.

[PHOTO]

DENNIS J. MCDONNELL AND DON G. POWELL

This kind of volatility is not unusual, but it is difficult to predict and serves as a reminder to investors to maintain their long-term outlook. Bailing out during price declines and re-entering after market rebounds is often a losing strategy. We believe it is time in the market, not timing the market, that potentially maximizes long-term investment gains.

Additionally, we believe our recent acquisition by Morgan Stanley Group Inc. will further help investors achieve their long-term goals. Morgan Stanley's strong global presence and commitment to superior investment performance complement our broad range of investment products, money management capabilities, and high level of service that we currently offer.

## ECONOMIC OVERVIEW

The economy has grown at a moderate pace this year, despite the second quarter's 4.7 percent surge. By the third quarter, growth slowed to 2.0 percent, near the level that prevailed early in the year. This moderation of economic activity, coupled with continued low inflation, eased fears of an interest rate hike by the Federal Reserve Board--fears that had dominated the market in early summer and pushed long-term bond yields above 7.0 percent.

Once the market realized that the economy's pace had slowed, bond prices rose from their 1996 lows and yields fell as they moved in the opposite direction of bond prices. By the end of October, the 30-year Treasury bond yield was near 6.5 percent.

During this recovery, municipal bonds rebounded even more than Treasuries, due to a steady demand that outpaced supply. Pennsylvania issues were especially scarce. It is expected that on a nationwide basis there will be little or no increase in the total number of municipal bonds outstanding this year. The volume of new issues is expected to almost equal the volume of bonds that were redeemed or called.

Continued on page two

[CREDIT QUALITY GRAPH]

PORTFOLIO COMPOSITION BY CREDIT QUALITY AS OF OCTOBER 31, 1996

<TABLE>

<S>	<C>
A.....	7.6%
AA.....	17.7%
AAA.....	60.2%
BBB.....	14.5%

Based upon credit quality ratings issued by Standard & Poor's. For securities not rated by Standard & Poor's, the Moody's rating is used.

</TABLE>

PERFORMANCE SUMMARY

Many closed-end municipal bond funds, such as this one, are currently offering higher after-tax yields than taxable income alternatives. The Trust generated a tax-exempt distribution of 5.94 percent(3), based on the closing stock price of \$12.625 per common share as of October 31, 1996. For Pennsylvania residents in the combined federal and state income tax bracket of 37.8 percent, this distribution is equivalent to a yield of 9.55 percent(4) on a taxable investment.

The Trust's one-year total return was 7.17 percent(1), including reinvestment of all dividends, reflecting a 1.0 percent increase in market price for the period ended October 31, 1996.

Top Five Portfolio Holdings by Industry as of October 31, 1996

Health Care.....	22.7%
Single-Family Housing.....	15.2%
Water & Sewer.....	11.6%
General Purpose.....	9.8%
Public Building.....	9.6%

ECONOMIC OUTLOOK

We believe Fed policy will remain unchanged through the end of the year. We

look for the long Treasury bond to trade within a range of 6.25 and 6.75 percent and the 5-year Treasury to trade between 5.75 percent and 6.25 percent for the remainder of 1996. After that, interest rates could rise moderately if the economy rebounds to a 3.0 percent annual growth rate and inflation edges higher. Based upon this view of moderate growth and slightly higher inflation, we believe the outlook for fixed-income markets remains positive.

Relatively stable interest rates early next year would be favorable for the leveraged structure of our closed-end funds, which involves borrowing short-term funds to purchase long-term municipal securities. Depending on the difference between long-term and short-term market rates, this structure provides opportunities for additional earnings over time.

Continued on page three

2

4

The leveraged capital structure of the Trust continues to provide common shareholders with above-market levels of dividend income. It should be noted, however, that the rise in short-term rates would have an unfavorable effect on common share performance.

The bond market should find continued support from the results of the recent national elections. With a Democratic president and a Republican Congress, there should be checks on potential spending increases and tax cuts so the budget deficit does not balloon out of control. This split government should also help minimize chances of major tax reform, which would likely affect investment markets, including municipal bonds.

The stock market is another factor that could influence the performance of the bond market in the coming year. If stocks suffer a protracted setback, the demand for bonds, including municipals, could increase.

We will closely monitor any new developments in Washington and in the financial markets in order to evaluate their potential impact on the Trust. We believe that in the coming year, the municipal market will continue to be an attractive investment choice for investors seeking high current income. Thank you for your continued confidence in your investment with Van Kampen American Capital and for the privilege of working with you to help you achieve your financial goals.

Sincerely,

[SIG]

-----  
Don G. Powell

Chairman  
Van Kampen American Capital  
Investment Advisory Corp.

[SIG]

-----  
Dennis J. McDonnell

President  
Van Kampen American Capital  
Investment Advisory Corp.

3

## PERFORMANCE RESULTS FOR THE PERIOD ENDED OCTOBER 31, 1996

VAN KAMPEN AMERICAN CAPITAL PENNSYLVANIA  
 VALUE MUNICIPAL INCOME TRUST  
 (NYSE TICKER SYMBOL--VPV)

&lt;TABLE&gt;

&lt;CAPTION&gt;

## COMMON SHARE TOTAL RETURNS

&lt;S&gt;

	<C>
One-year total return based on market price(1).....	7.17%
One-year total return based on NAV(2).....	6.33%

## DISTRIBUTION RATES

Distribution rate as a% of closing common stock price(3).....	5.94%
Taxable-equivalent distribution rate as a% of closing	

## SHARE VALUATIONS

common stock price(4).....	9.55%
----------------------------	-------

Net asset value.....	\$ 14.83
Closing common stock price.....	\$12.625
One-year high common stock price (02/05/96).....	\$13.250
One-year low common stock price (07/30/96).....	\$11.875
Preferred share rate(5).....	3.000%

&lt;/TABLE&gt;

(1) Total return based on market price assumes an investment at the market price at the beginning of the period indicated, reinvestment of all distributions for the period in accordance with the Trust's dividend reinvestment plan, and sale of all shares at the closing common stock price at the end of the period indicated.

(2) Total return based on net asset value (NAV) assumes an investment at the beginning of the period indicated, reinvestment of all distributions for the period, and sale of all shares at the end of the period, all at NAV.

(3) Distribution rate represents the monthly annualized distributions of the Trust at the end of the period and not the earnings of the Trust.

(4) The taxable-equivalent distribution rate is calculated assuming a 37.8% combined federal and state income tax bracket, which takes into consideration the deductibility of individual state taxes paid.

(5) See "Notes to Financial Statements" footnote #4, for more information concerning Preferred Share reset periods.

A portion of the interest income may be taxable for those investors subject to the federal alternative minimum tax (AMT).

Past performance does not guarantee future results. Investment return, stock price and net asset value will fluctuate with market conditions. Trust shares, when sold, may be worth more or less than their original cost.

## PORTFOLIO OF INVESTMENTS

October 31, 1996

&lt;TABLE&gt;

&lt;CAPTION&gt;

Par Amount (000)	Description	Coupon	Maturity	Market Value
<C>	<S>	<C>	<C>	<C>
	MUNICIPAL BONDS			
	PENNSYLVANIA 90.2%			
\$ 970	Allegheny Cnty, PA Indl Dev Auth Med Cent Rev Presbyterian Med Cent Rfdg (FHA Gtd).....	6.750%	02/01/26	\$ 1,006,238
2,600	Allentown, PA Area Hosp Auth Rev Sacred Heart Hosp Ser A Rfdg.....	6.750	11/15/14	2,656,264
925	Berks Cnty, PA Muni Auth Hosp Rev Reading Hosp & Med Cent Proj B (MBIA Insd).....	6.000	10/01/14	941,891
2,000	Butler Cnty, PA Hosp Auth Hosp Rev North Hills Passavant Hosp Ser A (FSA Insd).....	6.900	06/01/09	2,207,820
2,270	Cumberland Cnty, PA Auth Rev First Mtg Carlisle Hosp & Hlth Rfdg.....	6.800	11/15/14	2,331,335
1,000	Cumberland Cnty, PA Muni Auth College Rev Messiah College Proj Rfdg (AMBAC Insd).....	5.125	10/01/15	950,000
3,900	Dauphin Cnty, PA Hosp Auth Rev Cmnty Genl Osteopathic Hosp Rfdg.....	7.375	06/01/16	4,118,166
3,570	Delaware Cnty, PA Auth Hlth Care Rev Mercy Hlth Corp Southeastn Ser A Rfdg (Connie Lee Insd)....	5.125	11/15/12	3,417,454
1,000	Delaware Cnty, PA Auth Hosp Rev Crozer Chester Med Cent.....	6.000	12/15/09	1,001,870
1,400	Derry, PA Sch Dist Ser A Rfdg (MBIA Insd).....	6.550	09/01/06	1,529,570
3,505	Eastern York Sch Dist PA (MBIA Insd).....	6.000	06/01/09	3,675,343
1,615	Lancaster, PA Hsg Fin Corp Mtg Rev Ser A Rfdg (FHA Gtd).....	6.800	08/01/23	1,682,023
2,000	Lehigh Cnty, PA Genl Purp Auth Cedar Crest College Rfdg.....	6.700	04/01/26	2,014,920
1,000	Lehigh Cnty, PA Indl Dev Auth Pollutn Ctl Rev PA Pwr & Lt Co Proj Ser A Rfdg (MBIA Insd).....	6.400	11/01/21	1,067,280
1,000	Monroeville, PA Hosp Auth Hosp Rev Forbes Hlth Sys Rfdg.....	6.250	10/01/15	1,019,750
2,500	Montgomery Cnty, PA Higher Edl & Hlth Auth Hosp Rev Abington Mem Hosp Ser A (AMBAC Insd).....	5.125	06/01/24	2,296,325
3,850	Montgomery Cnty, PA Indl Dev Auth Rev Pollutn Ctl Ser E Rfdg (MBIA Insd).....	6.700	12/01/21	4,212,131
2,500	Pennsylvania Hsg Fin Agy Single Family Mtg Ser 37B Rfdg (b).....	5.600	10/01/25	2,393,050
3,250	Pennsylvania Hsg Fin Agy Single Family Mtg Ser 40.....	6.900	04/01/25	3,419,683
3,000	Pennsylvania Hsg Fin Agy Single Family Mtg Ser 41B Rfdg.....	6.450	10/01/12	3,098,040
4,800	Pennsylvania Hsg Fin Agy Single Family Mtg Ser 47 Rfdg.....	5.700	10/01/26	4,659,024
1,000	Pennsylvania Hsg Fin Agy Single Family Mtg Ser			

1,000	53A.....	6.000	10/01/15	1,004,160
	Pennsylvania Hsg Fin Agy Single Family Mtg Ser			
	53A (b).....	6.050	04/01/18	1,004,150
500	Pennsylvania Infrastructure Invt Auth Rev			
	Pennvest Subser B.....	6.800	09/01/10	543,090
2,000	Pennsylvania Intergvtl Coop Auth Spl Tax Rev			
	Philadelphia Funding Pgm Rfdg (FGIC Insd).....	5.500	06/15/20	1,954,620
4,000	Pennsylvania St Ctfs Partn Ser A Rfdg (AMBAC			
	Insd).....	5.100	07/01/04	4,066,960
4,275	Pennsylvania St Ctfs Partn Ser A Rfdg (AMBAC			
	Insd).....	5.250	07/01/10	4,207,156
1,000	Pennsylvania St Higher Edl Fac Allegheny DE Vly			
	Oblig Ser A Rfdg (MBIA Insd).....	5.875	11/15/21	1,011,160
2,970	Pennsylvania St Higher Edl Thomas Jefferson Univ			
	Ser A Rfdg.....	6.625	08/15/09	3,228,509
2,000	Philadelphia, PA Auth for Incl Dev Rev Rfdg.....	5.500	07/01/10	2,028,040

See Notes to Financial Statements

PORTFOLIO OF INVESTMENTS (CONTINUED)

October 31, 1996

<TABLE>  
<CAPTION>

Par Amount (000)	Description	Coupon	Maturity	Market Value
<C>	<S>	<C>	<C>	<C>
	PENNSYLVANIA (CONTINUED)			
\$1,500	Philadelphia, PA Gas Wks Rev Ser 14 Rfdg (FSA Insd).....	6.250%	07/01/08	\$ 1,607,010
895	Philadelphia, PA Hosp & Higher Edl Fac Auth Rev Cmnty College Ser A (MBIA Insd).....	6.050	05/01/08	954,016
1,455	Philadelphia, PA Hosp & Higher Edl Fac Auth Rev Cmnty College Ser B Rfdg (MBIA Insd).....	6.500	05/01/09	1,626,559
1,000	Philadelphia, PA Hosp & Higher Edl Fac Auth Rev Saint Agnes Med Cent Proj Ridg (FHA Gtd) (Prerefunded @ 08/15/01).....	7.250	08/15/31	1,130,350
1,000	Philadelphia, PA Hosps & Higher Ed Fac Auth Hosp Rev PA Hosp Rfdg.....	6.250	07/01/06	1,027,630
2,000	Philadelphia, PA Sch Dist Ser B (AMBAC Insd)....	5.500	09/01/18	1,956,340
5,305	Philadelphia, PA Ser A Rfdg (FGIC Insd).....	5.100	05/15/02	5,424,203
3,000	Philadelphia, PA Ser A Rfdg (FGIC Insd).....	6.250	11/15/04	3,279,900
5,000	Philadelphia, PA Wtr & Wastewtr Rev Rfdg (MBIA Insd) (c).....	6.750	08/01/03	5,575,850
3,675	Philadelphia, PA Wtr & Wastewtr Rev Rfdg (AMBAC Insd).....	5.500	06/15/07	3,786,573
1,000	Pittsburgh, PA Urban Redev Mtg Ser C Rfdg.....	6.500	10/01/23	1,011,580
2,500	Schuylkill Cnty, PA Muni Auth Wtr & Swr Rev Ser A (Prerefunded @ 02/01/00) (FGIC Insd).....	6.625	02/01/11	2,693,750
1,500	Sharon, PA Regl Hlth Sys Auth Hosp Rev Sharon Regl Hlth Sys Proj A Rfdg.....	6.875	12/01/09	1,573,020

				----- 100,392,803 -----
	PUERTO RICO 7.6%			
2,000	Puerto Rico Comwlth Hwy & Tran Auth Hwy Rev Ser W Rfdg.....	5.500	07/01/17	1,910,740
4,000	Puerto Rico Comwlth Hwy & Tran Ser Y (Embedded Cap) (FSA Insd) (d).....	5.730	07/01/21	4,382,040
2,000	Puerto Rico Pub Bldgs Auth Gtd Pub Edl & Hlth Fac Ser K Rfdg.....	6.600	07/01/04	2,165,320
				----- 8,458,100 -----
TOTAL LONG-TERM INVESTMENTS	97.8%			
	(Cost \$103,629,047) (a).....			108,850,903
SHORT-TERM INVESTMENTS AT AMORTIZED COST	2.4%.....			2,625,000
LIABILITIES IN EXCESS OF OTHER ASSETS	(0.2%).....			(194,479)
NET ASSETS	100%.....			----- \$111,281,424 =====

</TABLE>

- (a) At October 31, 1996, cost for federal income tax purposes is \$103,629,047; the aggregate gross unrealized appreciation is \$5,244,640 and the aggregate gross unrealized depreciation is \$22,784, resulting in net unrealized appreciation of \$5,221,856.
- (b) Securities purchased on a when issued or delayed delivery basis.
- (c) Assets segregated as collateral for when issued or delayed delivery purchase commitments.
- (d) An Embedded Cap security includes a cap strike level such that the coupon payment may be supplemented by cap payments if the floating rate index upon which the cap is based rises above the strike level. The price of these securities may be more volatile than the price of a comparable fixed rate security. The Trust invests in these instruments as a hedge against a rise in the short-term interest rates which it pays on its preferred shares. These derivative instruments are marked to market each day with the change in value reflected in the unrealized appreciation/depreciation on securities. Upon disposition, a realized gain or loss is recognized accordingly.

See Notes to Financial Statements

STATEMENT OF ASSETS AND LIABILITIES

October 31, 1996

<TABLE>

<S>

<C>

ASSETS:

Investments, at Market Value (Cost \$103,629,047) (Note 1).....	\$108,850,903
Short-Term Investments (Note 1).....	2,625,000
Cash.....	78,149



Interest Receivable.....	1,994,204
Unamortized Organizational Expenses (Note 1).....	7,463
Other.....	1,565
	-----
Total Assets.....	113,557,284
	-----
LIABILITIES:	
Payables:	
Investments Purchased.....	2,012,050
Investment Advisory Fee (Note 2).....	61,111
Income Distributions -- Common and Preferred Shares.....	28,319
Administrative Fee (Note 2).....	18,804
Distributor and Affiliates (Note 2).....	8,671
Accrued Expenses.....	98,020
Deferred Compensation and Retirement Plans (Note 2).....	48,885
	-----
Total Liabilities.....	2,275,860
	-----
NET ASSETS.....	\$111,281,424
	=====
NET ASSETS CONSIST OF:	
Preferred Shares (\$.01 par value, authorized 100,000,000 shares, 900 issued with liquidation preference of \$50,000 per share) (Note 4).....	\$ 45,000,000
	-----
Common Shares (\$.01 par value with an unlimited number of shares authorized, 4,468,924 shares issued and outstanding).....	44,689
Paid in Surplus.....	65,577,874
Net Unrealized Appreciation on Securities.....	5,221,856
Accumulated Undistributed Net Investment Income.....	303,037
Accumulated Net Realized Loss on Securities.....	(4,866,032)
	-----
Net Assets Applicable to Common Shares.....	66,281,424
	-----
NET ASSETS.....	\$111,281,424
	=====
NET ASSET VALUE PER COMMON SHARE (\$66,281,424 divided by 4,468,924 shares outstanding).....	\$ 14.83
	=====

</TABLE>

See Notes to Financial Statements

7

9

#### STATEMENT OF OPERATIONS

For the Year Ended October 31, 1996

<TABLE>

<S>

<C>

#### INVESTMENT INCOME:

Interest.....	\$6,324,667
	-----

#### EXPENSES:

Investment Advisory Fee (Note 2).....	718,303
Administrative Fee (Note 2).....	221,016
Preferred Share Maintenance (Note 4).....	138,539

Trustees Fees and Expenses (Note 2).....	30,517
Legal (Note 2).....	11,820
Amortization of Organizational Expenses (Note 1).....	5,011
Other.....	165,458
	-----
Net Expenses.....	1,290,664
	-----
NET INVESTMENT INCOME.....	\$5,034,003
	=====
REALIZED AND UNREALIZED GAIN/LOSS ON SECURITIES:	
Net Realized Gain on Investments.....	\$ 148,576
	-----
Unrealized Appreciation/Depreciation on Securities:	
Beginning of the Period.....	4,760,343
End of the Period:	
Investments.....	5,221,856
	-----
Net Unrealized Appreciation on Securities During the Period.....	461,513
	-----
NET REALIZED AND UNREALIZED GAIN ON SECURITIES.....	\$ 610,089
	=====
NET INCREASE IN NET ASSETS FROM OPERATIONS.....	\$5,644,092
	=====

</TABLE>

See Notes to Financial Statements

STATEMENT OF CHANGES IN NET ASSETS

For the Years Ended October 31, 1996 and 1995

<TABLE>

<CAPTION>

	Year Ended October 31, 1996	Year Ended October 31, 1995
	<C>	<C>
FROM INVESTMENT ACTIVITIES:		
Operations:		
Net Investment Income.....	\$ 5,034,003	\$ 5,067,108
Net Realized Gain/Loss on Securities.....	148,576	(1,657,295)
Net Unrealized Appreciation on Securities During the Period.....	461,513	11,443,551
	-----	-----
Change in Net Assets from Operations.....	5,644,092	14,853,364
	-----	-----
Distributions from Net Investment Income:		
Common Shares.....	(3,362,738)	(3,642,106)
Preferred Shares.....	(1,610,100)	(1,790,430)
	-----	-----
Total Distributions.....	(4,972,838)	(5,432,536)
	-----	-----
NET CHANGE IN NET ASSETS FROM INVESTMENT ACTIVITIES...	671,254	9,420,828
NET ASSETS:		
Beginning of the Period.....	110,610,170	101,189,342

End of the Period (Including undistributed net investment income of \$303,037 and \$241,872, respectively).....	\$111,281,424	\$110,610,170
	=====	=====

</TABLE>

See Notes to Financial Statements

FINANCIAL HIGHLIGHTS

The following schedule presents financial highlights for one common share of the Trust outstanding throughout the periods indicated.

<TABLE>  
<CAPTION>

	Year Ended October 31, -----			April 30, 1993 (Commencement of Investment Operations) to October 31, 1993
	1996	1995	1994	
<S>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of the Period (a).....	\$14.681	\$12.573	\$15.672	\$14.687
	-----	-----	-----	-----
Net Investment Income.....	1.127	1.134	1.142	.433
Net Realized and Unrealized Gain/Loss on Securities.....	.137	2.190	(3.132)	.896
	-----	-----	-----	-----
Total from Investment Operations.....	1.264	3.324	(1.990)	1.329
	-----	-----	-----	-----
Less:				
Distributions from Net Investment Income:				
Paid to Common Shareholders.....	.753	.815	.822	.274
Common Share Equivalent of Distributions Paid to Preferred Shareholders.....	.360	.401	.273	.070
Distributions from Net Realized Gain on Securities (Note 1):				
Paid to Common Shareholders.....	-0-	-0-	.012	-0-
Common Share Equivalent of Distributions Paid to Preferred Shareholders.....	-0-	-0-	.002	-0-
	-----	-----	-----	-----
Total Distributions.....	1.113	1.216	1.109	.344
	-----	-----	-----	-----
Net Asset Value, End of the Period.....	\$14.832	\$14.681	\$12.573	\$15.672
	=====	=====	=====	=====
Market Price Per Share at End of the Period.....	\$12.625	\$12.500	\$10.375	\$14.875
Total Investment Return at Market Price (b).....	7.17%	28.60%	(25.61%)	1.00%*
Total Return at Net Asset Value (c).....	6.33%	23.90%	(14.91%)	6.33%*
Net Assets at End of the Period (In millions).....	\$ 111.3	\$ 110.6	\$ 101.2	\$ 115.0

Ratio of Expenses to Average Net Assets				
Applicable to Common Shares.....	1.97%	2.03%	1.98%	1.55%
Ratio of Expenses to Average Net Assets.....	1.17%	1.17%	1.16%	1.14%
Ratio of Net Investment Income to Average				
Net Assets Applicable to Common				
Shares (d).....	5.24%	5.35%	6.09%	4.75%
Portfolio Turnover.....	27%	43%	53%	9%*

- (a) Net asset value at April 30, 1993, is adjusted for common and preferred share offering costs of \$.313 per common share.
- (b) Total investment return at market price reflects the change in market value of the common shares for the period indicated with reinvestment of dividends in accordance with the Trust's dividend reinvestment plan.
- (c) Total return at net asset value (NAV) reflects the change in value of the Trust's assets with reinvestment of dividends based upon NAV.
- (d) Net investment income is adjusted for the common share equivalent of distributions paid to preferred shareholders.

\* Non-Annualized

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

October 31, 1996

1. SIGNIFICANT ACCOUNTING POLICIES

Van Kampen American Capital Pennsylvania Value Municipal Income Trust (the "Trust") is registered as a non-diversified closed-end management investment company under the Investment Company Act of 1940, as amended. The Trust's investment objective is to provide a high level of current income exempt from federal and Pennsylvania income taxes and, where possible under local law, local income and personal property taxes, consistent with preservation of capital. The Trust will invest substantially all of its assets in Pennsylvania municipal securities rated investment grade at the time of investment. The Trust commenced investment operations on April 30, 1993.

The following is a summary of significant accounting policies consistently followed by the Trust in the preparation of its financial statements. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A. SECURITY VALUATION--Investments are stated at value using market quotations or, if such valuations are not available, estimates obtained from yield data relating to instruments or securities with similar characteristics in accordance with procedures established in good faith by the Board of Trustees. Short-term

securities with remaining maturities of 60 days or less are valued at amortized cost.

B. SECURITY TRANSACTIONS--Security transactions are recorded on a trade date basis. Realized gains and losses are determined on an identified cost basis. The Trust may purchase and sell securities on a "when issued" or "delayed delivery" basis with settlement to occur at a later date. The value of the security so purchased is subject to market fluctuations during this period. The Trust will maintain, in a segregated account with its custodian, assets having an aggregate value at least equal to the amount of the when issued or delayed delivery purchase commitments until payment is made.

C. INVESTMENT INCOME--Interest income is recorded on an accrual basis. Bond premium and original issue discount are amortized over the expected life of each applicable security.

11

13

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

October 31, 1996

-----

D. ORGANIZATIONAL EXPENSES--The Trust has reimbursed Van Kampen American Capital Distributors, Inc. or its affiliates (collectively "VKAC") for costs incurred in connection with the Trust's organization in the amount of \$25,000. These costs are being amortized on a straight line basis over the 60 month period ending April 29, 1998. Van Kampen American Capital Investment Advisory Corp. (the "Adviser") has agreed that in the event any of the initial shares of the Trust originally purchased by VKAC are redeemed during the amortization period, the Trust will be reimbursed for any unamortized organizational expenses in the same proportion as the number of shares redeemed bears to the number of initial shares held at the time of redemption.

E. FEDERAL INCOME TAXES--It is the Trust's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no provision for federal income taxes is required.

The Trust intends to utilize provisions of the federal income tax laws which allow it to carry a realized capital loss forward for eight years following the year of the loss and offset such losses against any future realized capital gains. At October 31, 1996, the Trust had an accumulated capital loss carry forward for tax purposes of \$4,866,032, which will expire between October 31, 2002 and 2003.

F. DISTRIBUTION OF INCOME AND GAINS--The Trust declares and pays dividends from net investment income to common shareholders monthly. Net realized gains, if any, are distributed annually on a pro rata basis to common and preferred shareholders. Distributions from net realized gains for book purposes may include short-term capital gains which are included as ordinary income for tax purposes.

For the year ended October 31, 1996, 99.9% of the income distributions made by the Trust were exempt from federal income taxes. In January, 1997, the Trust will provide tax information to shareholders for the 1996 calendar year.

2. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

Under the terms of the Trust's Investment Advisory Agreement, the Adviser will provide investment advice and facilities to the Trust for an annual fee payable monthly of .65% of the average net assets of the Trust. In addition, the Trust will pay a monthly administrative fee to VKAC, the Trust's Administrator, at an annual rate of .20% of the average net assets of the Trust. The administrative services provided by the Administrator include

12

14

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

October 31, 1996

---

record keeping and reporting responsibilities with respect to the Trust's portfolio and preferred shares and providing certain services to shareholders.

Certain legal expenses are paid to Skadden, Arps, Slate, Meagher & Flom, counsel to the Trust, of which a trustee of the Trust is an affiliated person.

For the year ended October 31, 1996, the Trust recognized expenses of approximately \$27,500 representing VKAC's cost of providing accounting and legal services to the Trust.

Certain officers and trustees of the Trust are also officers and directors of VKAC. The Trust does not compensate its officers or trustees who are officers of VKAC.

The Trust has implemented deferred compensation and retirement plans for its trustees. Under the deferred compensation plan, trustees may elect to defer all or a portion of their compensation to a later date. The retirement plan covers those trustees who are not officers of VKAC.

At October 31, 1996, VKAC owned 6,700 common shares of the Trust.

### 3. INVESTMENT TRANSACTIONS

During the period, the cost of purchases and proceeds from sales of investments, excluding short-term investments, were \$29,809,653 and \$29,730,465, respectively.

### 4. PREFERRED SHARES

The Trust has outstanding 900 Auction Preferred Shares ("APS"). Dividends are cumulative and the dividend rate is currently reset every seven days through an auction process. The rate in effect on October 31, 1996, was 3.00%. During the year ended October 31, 1996, the rates ranged from 3.00% to 4.75%.

The Trust pays annual fees equivalent to .25% of the preferred share liquidation value for the remarketing efforts associated with the preferred auctions. These fees are included as a component of Preferred Share Maintenance expense.

The APS are redeemable at the option of the Trust in whole or in part at the liquidation value of \$50,000 per share plus accumulated and unpaid dividends. The Trust is subject to certain asset coverage tests and the APS are subject to mandatory redemption if the tests are not met.

## REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Trustees and Shareholders of  
Van Kampen American Capital Pennsylvania Value Municipal Income Trust:

We have audited the accompanying statement of assets and liabilities of Van Kampen American Capital Pennsylvania Value Municipal Income Trust (the "Trust"), including the portfolio of investments, as of October 31, 1996, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the periods presented. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 1996, by correspondence with the custodian and broker. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Van Kampen American Capital Pennsylvania Value Municipal Income Trust as of October 31, 1996, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the periods presented, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Chicago, Illinois  
November 27, 1996

## DIVIDEND REINVESTMENT PLAN

The Trust offers a dividend reinvestment plan (the "Plan") pursuant to which Common Shareholders may elect to have dividends and capital gains distributions reinvested in Common Shares of the Trust. The Trust declares dividends out of net investment income, and will distribute annually net realized capital gains, if any. Common Shareholders may join or withdraw from the Plan at any time.

If you decide to participate in the Plan, State Street Bank and Trust Company, as your Plan Agent, will automatically invest your dividends and capital gains distributions in Common Shares of the Trust for your account.

## HOW TO PARTICIPATE

If you wish to participate and your shares are held in your own name, call 1-800-341-2929 for more information and a Plan brochure. If your shares are held in the name of a brokerage firm, bank, or other nominee, you should contact your nominee to see if it would participate in the Plan on your behalf. If you wish to participate in the Plan, but your brokerage firm, bank or nominee is unable to participate on your behalf, you should request that your shares be re-registered in your own name which will enable your participation in the Plan.

## HOW THE PLAN WORKS

Participants in the Plan will receive the equivalent in Common Shares valued on the valuation date, generally at the lower of market price or net asset value, except as specified below. The valuation date will be the dividend or distribution payment date or, if that date is not a trading day on the national securities exchange or market system on which the Common Shares are listed for trading, the next preceding trading day. If the market price per Common Share on the valuation date equals or exceeds net asset value per Common Share on that date, the Trust will issue new Common Shares to participants valued at the higher of net asset value or 95% of the market price on the valuation date. In the foregoing situation, the Trust will not issue Common Shares under the Plan below net asset value. If net asset value per Common Share on the valuation date exceeds the market price per Common Share on that date, or if the Board of Trustees should declare a dividend or capital gains distribution payable to the Common Shareholders only in cash, participants in the Plan will be deemed to have elected to receive Common Shares from the Trust valued at the market price on that date. Accordingly, in this circumstance, the Plan Agent will, as agent for the participants, buy the Trust's Common Shares in the open market for the participants' accounts on or shortly after the payment date. If, before the Plan Agent has completed its purchases, the market price exceeds the net asset value per share of the Common Shares, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the Trust's Common Shares, resulting in the acquisition of fewer Common Shares than if the dividend or distribution had been paid in Common Shares issued by the Trust. All reinvestments are in full and fractional Common Shares and are carried to three decimal places.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Trust reserves the right to amend or terminate the Plan as applied to any dividend or distribution paid subsequent to written notice of the changes sent to all Common Shareholders of the Trust at least 90 days before the record date for the dividend or distribution. The Plan also may be amended or terminated by the Plan Agent by at least 90 days written notice to all Common Shareholders of the Trust.

## COSTS OF THE PLAN

The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by the Trust. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends and distributions. No other charges will be made to participants for reinvesting dividends or capital gains distributions, except for certain brokerage commissions, as described above.

## TAX IMPLICATIONS

You will receive tax information annually for your personal records and to help you prepare your federal income tax return. The automatic reinvestment of



dividends and capital gains distributions does not relieve you of any income tax which may be payable on dividends or distributions.

#### RIGHT TO WITHDRAW

Plan participants may withdraw at any time by calling 1-800-341-2929 or by writing State Street Bank and Trust Company, P.O. Box 8200, Boston, MA 02266-8200. If you withdraw, you will receive, without charge, a share certificate issued in your name for all full Common Shares credited to your account under the Plan and a cash payment will be made for any fractional Common Share credited to your account under the Plan. You may again elect to participate in the Plan at any time by calling 1-800-341-2929 or writing to the Trust at:

Van Kampen American Capital  
Attn: Closed-End Funds  
2800 Post Oak Blvd.  
Houston, TX 77056

15

17

#### FUNDS DISTRIBUTED BY VAN KAMPEN AMERICAN CAPITAL

##### GLOBAL AND INTERNATIONAL

Global Equity Fund  
Global Government Securities Fund  
Global Managed Assets Fund  
Short-Term Global Income Fund  
Strategic Income Fund

##### EQUITY

###### Growth

Aggressive Growth Fund  
Emerging Growth Fund  
Enterprise Fund  
Pace Fund

###### Growth & Income

Balanced Fund  
Comstock Fund  
Equity Income Fund  
Growth and Income Fund  
Harbor Fund  
Real Estate Securities Fund  
Utility Fund

##### FIXED INCOME

Corporate Bond Fund  
Government Securities Fund  
High Income Corporate Bond Fund  
High Yield Fund  
Limited Maturity Government Fund  
Prime Rate Income Trust  
Reserve Fund  
U.S. Government Fund  
U.S. Government Trust for Income

##### TAX-FREE

California Insured Tax Free Fund

Florida Insured Tax Free  
Income Fund  
High Yield Municipal Fund  
Insured Tax Free Income Fund  
Intermediate Term Municipal  
Income Fund  
Municipal Income Fund  
New Jersey Tax Free Income Fund  
New York Tax Free Income Fund  
Pennsylvania Tax Free Income Fund  
Tax Free High Income Fund  
Tax Free Money Fund

THE GOVETT FUNDS

Emerging Markets Fund  
Global Income Fund  
International Equity Fund  
Latin America Fund  
Pacific Strategy Fund  
Smaller Companies Fund

Ask your investment representative for a prospectus containing more complete information, including sales charges and expenses. Please read it carefully before you invest or send money. Or call us direct at 1-800-341-2911 weekdays from 7:00 a.m. to 7:00 p.m. Central time.

16

18

VAN KAMPEN AMERICAN CAPITAL PENNSYLVANIA VALUE MUNICIPAL INCOME TRUST

BOARD OF TRUSTEES

DAVID C. ARCH  
ROD DAMMEYER  
HOWARD J KERR  
DENNIS J. MCDONNELL\*--Chairman  
THEODORE A. MYERS  
HUGO F. SONNENSCHNEIN  
WAYNE W. WHALEN\*

OFFICERS

DENNIS J. MCDONNELL\*  
President  
  
RONALD A. NYBERG\*  
Vice President and Secretary  
  
EDWARD C. WOOD, III\*  
Vice President and Chief Financial Officer  
  
CURTIS W. MORELL\*  
Vice President and Chief Accounting Officer  
  
JOHN L. SULLIVAN\*  
Treasurer  
  
TANYA M. LODEN\*

Controller

PETER W. HEGEL\*  
Vice President

INVESTMENT ADVISER  
VAN KAMPEN AMERICAN CAPITAL  
INVESTMENT ADVISORY CORP.  
One Parkview Plaza  
Oakbrook Terrace, Illinois 60181

CUSTODIAN AND  
TRANSFER AGENT

STATE STREET BANK  
AND TRUST COMPANY  
225 Franklin Street  
P.O. Box 1713  
Boston, Massachusetts 02105

LEGAL COUNSEL

SKADDEN, ARPS, SLATE,  
MEAGHER & FLOM  
333 West Wacker Drive  
Chicago, Illinois 60606

INDEPENDENT ACCOUNTANTS

KPMG PEAT MARWICK LLP  
Peat Marwick Plaza  
303 East Wacker Drive  
Chicago, Illinois 60601

\* "Interested" persons of the Trust, as defined in the Investment Company Act of 1940.

(C) Van Kampen American Capital Distributors, Inc., 1996 All rights reserved.

(SM) denotes a service mark of Van Kampen American Capital Distributors, Inc.

#### RESULTS OF SHAREHOLDER VOTES

An Annual Meeting of Shareholders of the Trust was held on May 23, 1996, where shareholders voted on the election of trustees and the selection of independent public accountants. With regard to the election of Don G. Powell as elected trustee by the common shareholders of the Trust, 3,190,809 shares voted in his favor, 67,890 withheld. With regard to the election of Hugo F. Sonnenschein as elected trustee by the common shareholders of the Trust, 3,191,237 shares voted in his favor, 67,462 withheld. With regard to the election of Theodore A. Myers as elected trustee by the preferred shareholders of the Trust, 897 shares voted in his favor, 0 withheld. With regard to the ratification of KPMG Peat Marwick LLP as independent public accountants for the Trust, 3,190,111 voted in favor, 15,707 voted against and 53,778 abstained.

A Special Meeting of Shareholders of the Trust was held on October 23, 1996, where shareholders voted on a new investment advisory agreement and changes to investment policies. With regard to the approval of a new investment advisory agreement between Van Kampen American Capital Investment Advisory Corp. and the Trust, 3,468,665 shares voted for the proposal, 67,586 voted against and 140,887

abstained. With regard to the approval of certain changes to the Trust's fundamental investment policies with respect to investment in other investment companies, 1,844,300 shares voted for the proposal, 68,995 voted against and 147,026 abstained.