

Schedule of Investments (Unaudited)

Delaware Tax-Free Pennsylvania Fund

November 30, 2009

	Principal Amount	Value
Municipal Bonds – 100.52%		
<i>Corporate Revenue Bonds – 13.21%</i>		
Allegheny County Industrial Development Authority Environmental Improvement Revenue Refunding (US Steel Corp.) 6.75% 11/1/24	\$4,000,000	\$4,083,720
(USX 2nd Project) 5.50% 12/1/29	13,000,000	12,897,169
Beaver County Industrial Development Authority Pollution Control Revenue Refunding (Atlantic Richfield Project) 5.95% 7/1/21	5,100,000	5,106,426
•(Firstenergy General Corp.) Series C 7.125% 6/1/28 (AMT)	7,500,000	7,881,150
Bucks County Industrial Development Authority Environmental Improvement Revenue Refunding (USX Project) 5.40% 11/1/17	2,250,000	2,381,378
Carbon County Industrial Development Authority Resource Recovery Revenue Refunding (Panther Creek Partners Project) 6.65% 5/1/10 (AMT)	2,070,000	2,087,264
Dauphin County Industrial Development Authority Water Revenue Refunding (Dauphin Consolidated Water Supply Project) Series B 6.70% 6/1/17	1,750,000	2,008,808
Delaware County Industrial Development Authority Water Facilities Revenue (Philadelphia Suburban Water Project) 6.00% 6/1/29 (NATL-RE) (FGIC) (AMT)	3,000,000	3,012,900
Indiana County Industrial Development Authority Pollution Control Revenue Refunding (PSE&G Power Project) 5.85% 6/1/27 (AMT)	3,000,000	2,996,730
Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue (Allegheny Energy Supply) 7.00% 7/15/39	6,500,000	6,962,085
•(Exelon Generation Project) Series A 5.00% 12/1/42	2,000,000	2,120,380
Pennsylvania Economic Development Financing Authority Solid Waste Disposal Revenue (Proctor & Gamble Paper Project) 5.375% 3/1/31 (AMT)	11,000,000	11,131,560
Pennsylvania Economic Development Financing Authority Water Facility Revenue (Aqua Pennsylvania) Series A 5.00% 10/1/39	2,500,000	2,493,300
(Pennsylvania-American Water Project) 6.20% 4/1/39	2,850,000	<u>3,047,562</u>
		<u>68,210,432</u>
<i>Education Revenue Bonds – 16.45%</i>		
Allegheny County Higher Education Building Authority Revenue (Carnegie Mellon University Project) 5.25% 3/1/32	1,900,000	1,959,242
(Chatham College Project)		
Series A 5.85% 3/1/22	590,000	601,009
Series A 5.95% 3/1/32	1,000,000	1,007,210
Series B 5.75% 11/15/35	4,000,000	3,983,840
Delaware County Authority College Revenue Refunding (Eastern College Project) Series B 5.50% 10/1/19	3,805,000	3,764,895
5.50% 10/1/24	2,850,000	2,637,191
(Haverford College Project) 5.75% 11/15/29	1,875,000	1,942,819
Erie Higher Education Building Authority College Revenue Refunding (Mercyhurst College Project) Series B 5.00% 3/15/23	750,000	735,675
Lehigh County General Purpose Authority Revenue (Desales University Project) 5.125% 12/15/23 (RADIAN)	5,000,000	4,803,900
(Muhlenberg College Project)		
5.00% 2/1/29	740,000	753,024
5.25% 2/1/34	1,000,000	1,013,730
5.25% 2/1/39	2,750,000	2,765,703
Lycoming County Authority College Revenue (Pennsylvania College of Technology Project) 5.375% 7/1/30 (AMBAC)	5,000,000	4,893,150
Northampton County General Purpose Authority Revenue (Higher Education-Lehigh University) 5.00% 11/15/39	6,000,000	6,108,539
Pennsylvania Economic Development Financing Authority School Revenue (Germantown Friends School Project) 5.35% 8/15/31	2,820,000	2,844,026
Pennsylvania Higher Educational Facilities Authority College & University Revenue (Drexel University Project) Series A		
5.20% 5/1/29	1,500,000	1,503,555
5.20% 5/1/32	1,000,000	1,007,220
(Edinboro University Student Housing)		
5.875% 7/1/38	3,500,000	3,200,435
6.00% 7/1/42	1,400,000	1,289,708
(Lafayette College Project) 6.00% 5/1/30	2,500,000	2,531,650
(Philadelphia University Project) 5.00% 6/1/35	1,665,000	1,480,685
(Thomas Jefferson University Project)		
Series B 4.125% 9/1/26 (AMBAC)	1,000,000	943,540
Un-Refunded Balance 5.00% 1/1/29	1,610,000	1,626,889
(University of Pennsylvania) Series B		
5.00% 9/1/26	1,450,000	1,608,717
5.00% 9/1/27	1,550,000	1,710,286

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5.00% 9/1/30	1,000,000	1,076,270
5.00% 9/1/31	250,000	266,990
5.00% 9/1/32	1,000,000	1,060,540
(Ursinus College) 5.125% 1/1/33 (RADIAN)	2,000,000	1,862,960
(Widener University)		
5.00% 7/15/39	3,000,000	2,658,210
5.375% 7/15/29	650,000	647,225
Philadelphia Authority for Industrial Development Revenue (First Philadelphia Charter) Series A 5.75% 8/15/32	4,000,000	3,546,640
Philadelphia Redevelopment Authority Revenue (Beech Student Housing Complex Project) Series A		
5.50% 7/1/35 (ACA)	1,500,000	1,109,550
5.625% 7/1/28 (ACA)	1,000,000	803,330
Swarthmore Borough Authority College Revenue (Swarthmore College Project) 5.00% 9/15/31	15,000,000	<u>15,179,549</u>
		<u>84,927,902</u>
<i>Electric Revenue Bonds – 2.50%</i>		
^Philadelphia Gas Works Revenue		
(Capital Appreciation) Series 11- C 6.884% 1/1/12 (AMBAC)	2,500,000	2,305,225
Refunding (8th-1998 General Ordinance) Series A		
5.00% 8/1/15	2,640,000	2,769,730
5.00% 8/1/16	3,000,000	3,138,720
Puerto Rico Electric Power Authority Revenue Series WW 5.00% 7/1/28	4,800,000	<u>4,669,536</u>
		<u>12,883,211</u>
<i>Escrowed to Maturity Bonds – 6.69%</i>		
Delaware County Authority Health Facilities Revenue (Mercy Health Project) 6.00% 12/15/26	3,500,000	3,776,745
Pennsylvania Higher Educational Facilities Authority College & University Revenue		
(University of the Arts Project) 5.20% 3/15/25 (RADIAN)	4,490,000	4,616,843
Philadelphia Hospitals & Higher Education Facilities Authority Revenue		
(Presbyterian Medical Center Project) 6.65% 12/1/19	13,000,000	16,207,879
Pittsburgh Urban Development Water & Sewer Authority Revenue		
(Crossover Refunding Projects) 7.25% 9/1/14 (FGIC)	5,250,000	6,072,623
Southcentral General Authority Revenue (Wellspring Health Obligated Project) 5.625% 5/15/26	3,610,000	<u>3,897,717</u>
		<u>34,571,807</u>
<i>Health Care Revenue Bonds – 27.77%</i>		
Allegheny County Hospital Development Authority Revenue		
(University of Pittsburgh Medical Center) Series A		
5.50% 8/15/34	3,980,000	3,947,762
5.625% 8/15/39	5,000,000	5,001,400
Berks County Municipal Authority Revenue		
(Health Care-Pooled Financing Project) 5.00% 3/1/28	11,750,000	11,752,585
(Reading Hospital & Medical Center Project) Series A-3 5.50% 11/1/31	10,000,000	10,363,100
Butler County Hospital Authority Revenue (Butler Health System Project) 7.25% 7/1/39	8,000,000	8,732,560
Chester County Health & Educational Facilities Authority Revenue		
(Jefferson Health Systems Project) Series B 5.375% 5/15/27	14,270,000	14,304,819
Cumberland County Municipal Authority Revenue (Diakon Lutheran Ministries Project)		
5.00% 1/1/36	2,500,000	2,100,275
6.375% 1/1/39	5,000,000	4,931,300
Dauphin County General Authority Health System Revenue		
(Pinnacle Health System Project) Series A 6.00% 6/1/36	10,000,000	10,181,100
Geisinger Authority Health System Revenue Series A 5.25% 6/1/39	5,000,000	5,074,750
Lancaster County Hospital Authority Revenue		
(Brethren Village Project) Series A 6.50% 7/1/40	3,000,000	2,748,480
(Health Center-Willow Valley Retirement Project) 5.875% 6/1/31	2,100,000	2,124,633
Lycoming County Authority Health System Revenue		
(Susquehanna Health System Project) Series A 5.75% 7/1/39	10,000,000	9,615,100
Montgomery County Higher Education & Health Authority Revenue (Abington Memorial Hospital) Series A		
5.125% 6/1/32	6,500,000	6,179,485
5.125% 6/1/33	5,000,000	4,876,600
Montgomery County Industrial Development Authority Revenue		
(Acts Retirement Communities) Series A 4.50% 11/15/36	3,000,000	2,422,740
(Acts Retirement-Life Communities) Series A-1 6.25% 11/15/29	700,000	742,028
(Foulkeways at Gwynedd Project) Series A		
5.00% 12/1/24	1,000,000	964,210
5.00% 12/1/30	1,500,000	1,365,525
Mount Lebanon Hospital Authority Revenue (St. Clair Memorial Hospital Project) Series A 5.625% 7/1/32	4,500,000	4,502,430
Pennsylvania Economic Development Financing Authority Health System Revenue		
(Albert Einstein Healthcare) Series A 6.25% 10/15/23	8,900,000	9,381,935
Pennsylvania Economic Development Financing Authority Revenue		
(Dr. Gertrude A. Barber Center Project) 5.90% 12/1/30 (RADIAN)	2,250,000	2,210,153
Pennsylvania Higher Educational Facilities Authority Revenue		
(UPMC Health Systems Project) Series A 6.00% 1/15/31	10,000,000	10,313,000
Philadelphia Hospitals & Higher Education Facilities Authority Revenue		
(Temple University Health System) Series B 5.50% 7/1/30	5,000,000	4,260,550
St. Mary Hospital Authority Health System Revenue (Catholic Health East) Series D 6.25% 11/15/34	5,000,000	<u>5,345,800</u>

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		<u>143,442,320</u>
<i>Housing Revenue Bonds – 3.16%</i>		
Allegheny County Residential Finance Authority Single Family Mortgage Revenue		
Refunding Series II-2 5.90% 11/1/32 (GNMA) (AMT)	635,000	639,248
Series KK-2 5.40% 5/1/26 (GNMA) (AMT)	2,540,000	2,561,971
Bucks County Industrial Development Authority Multi-Family Housing Revenue Guaranteed (New Hope Manor Project) Series A	1,265,000	1,275,854
5.40% 3/1/22 (AMT)		
5.50% 3/1/41 (AMT)	5,340,000	5,346,515
Pennsylvania Housing Finance Agency Single Family Mortgage Revenue		
Series 66A 5.65% 4/1/29 (AMT)	415,000	417,183
Series 94-A 5.15% 10/1/37 (AMT)	4,360,000	4,234,170
Philadelphia Industrial Development Authority Revenue (Germantown Senior Living Presbyterian Homes Project) Series A 5.625% 7/1/35	2,295,000	<u>1,834,531</u>
		<u>16,309,472</u>
<i>Lease Revenue Bonds – 7.54%</i>		
Allegheny County Industrial Development Authority Lease Revenue (Residential Resource Project)		
5.10% 9/1/26	1,335,000	1,227,533
5.125% 9/1/31	1,375,000	1,202,589
Pennsylvania Commonwealth Financing Authority Revenue Series B 5.00% 6/1/31 (ASSURED GTY)	10,000,000	10,274,100
Pennsylvania Industrial Development Authority Revenue Refunding (Economic Development) 5.50% 7/1/23	5,000,000	5,487,000
Philadelphia Municipal Authority Revenue (Lease) 6.50% 4/1/39	4,000,000	4,195,760
Puerto Rico Public Buildings Authority Revenue Guaranteed (Government Facilities)		
•Refunding Series M-2 5.50% 7/1/35 (AMBAC)	2,100,000	2,129,778
Un-Refunded Balance Series I 5.25% 7/1/33	15,500,000	<u>14,429,724</u>
		<u>38,946,484</u>
<i>Local General Obligation Bonds – 1.93%</i>		
Bethel Park School District 5.10% 8/1/33	3,000,000	3,040,950
Chester County Series C 5.00% 7/15/29	3,500,000	3,840,200
Greater Johnstown School District Series C 5.125% 8/1/25 (NATL-RE)	1,000,000	1,024,560
Mount Lebanon School District Series A 5.00% 2/15/34	2,000,000	<u>2,070,760</u>
		<u>9,976,470</u>
<i>§Pre-Refunded Bonds – 2.14%</i>		
Allegheny County Redevelopment Authority Tax Increment Revenue (Waterfront Project) Series B 6.40% 12/15/18-10	1,500,000	1,608,795
Lancaster Industrial Development Authority Revenue (Garden Spot Village Project) Series A 7.625% 5/1/31-10	1,650,000	1,717,106
Pennsylvania Higher Education Assistance Agency Capital Acquisition 5.875% 12/15/30-10 (NATL-RE)	7,385,000	<u>7,714,001</u>
		<u>11,039,902</u>
<i>Special Tax Revenue Bonds – 3.42%</i>		
Allegheny County Redevelopment Authority Tax Increment Revenue (Waterfront Project) Series B 6.00% 12/15/10	300,000	305,397
Guam Government Limited Obligation Revenue (Section 30) Series A		
5.625% 12/1/29	95,000	96,416
5.75% 12/1/34	3,170,000	3,235,239
Puerto Rico Sales Tax Financing Revenue First Subordinated Ω(Capital Appreciation Convertible) Series A 6.75% 8/1/32	10,160,000	7,568,082
Series A 5.75% 8/1/37	5,620,000	5,702,726
•Washington County Redevelopment Authority Revenue (Victory Centre Project-Tanger) Series A 5.45% 7/1/35	1,000,000	<u>750,440</u>
		<u>17,658,300</u>
<i>State General Obligation Bonds – 1.72%</i>		
Pennsylvania First Series 5.00% 3/15/28	5,000,000	5,439,200
Puerto Rico Commonwealth Public Improvement Refunding Series A 5.25% 7/1/15	3,250,000	<u>3,455,790</u>
		<u>8,894,990</u>
<i>Transportation Revenue Bonds – 11.00%</i>		
Allegheny County Airport Revenue Refunding (Pittsburgh International Airport Project) Series A 5.75% 1/1/14 (NATL-RE) (AMT)	6,910,000	7,450,500
Delaware River Port Authority (Pennsylvania & New Jersey Port District Project) Series B 5.70% 1/1/21 (FSA)	8,560,000	8,572,840
Erie Western Port Authority General Revenue 6.25% 6/15/10 (AMT)	265,000	265,729
Lehigh Northampton Airport Authority Revenue (Lehigh Valley Airport Project) Series A		
6.00% 5/15/25 (NATL-RE) (AMT)	1,525,000	1,525,991
6.00% 5/15/30 (NATL-RE) (AMT)	2,700,000	2,637,792
Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue (Amtrak Project) Series A 6.375% 11/1/41 (AMT)	5,000,000	5,052,500
Pennsylvania Economic Development Financing Authority Revenue (30th Street Station Garage Project) 5.875% 6/1/33 (ACA) (AMT)	4,500,000	4,251,285
Pennsylvania Turnpike Commission Revenue (Capital Appreciation) Sub-Series E 6.375% 12/1/38	5,000,000	3,135,400
Series R 5.00% 12/1/30 (AMBAC)	2,500,000	2,511,675
Sub-Series B 5.25% 6/1/39	4,450,000	4,443,370
Sub-Series D 5.125% 12/1/40	3,945,000	3,861,050
Philadelphia Airport Revenue Refunding Series A 5.375% 6/15/29 (ASSURED GTY)	4,030,000	4,237,545
Philadelphia Industrial Development Authority Revenue (Sub-Air Cargo Project) Series A 7.50% 1/1/25 (AMT)	2,500,000	2,206,525

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Puerto Rico Commonwealth Highway & Transportation Authority Revenue		
Series AA 5.50% 7/1/18 (NATL-RE)	4,000,000	4,241,160
Un-Refunded Balance Series G		
5.00% 7/1/33	1,030,000	925,980
5.00% 7/1/42	1,720,000	<u>1,499,221</u>
		<u>56,818,563</u>
<i>Water & Sewer Revenue Bonds – 2.99%</i>		
Cambridge Area Joint Authority Guaranteed Sewer Revenue		
5.625% 12/1/28	1,150,000	1,065,889
6.00% 12/1/37	1,000,000	871,370
Philadelphia Water & Waste Revenue Refunding 5.25% 12/15/14 (AMBAC)	11,900,000	<u>13,516,314</u>
		<u>15,453,573</u>
Total Municipal Bonds (cost \$504,052,524)		<u>519,133,426</u>
Total Value of Securities – 100.52%		
(cost \$504,052,524)		519,133,426
Liabilities Net of Receivables and Other Asset (See Notes) – (0.52%)		<u>(2,660,250)</u>
Net Assets Applicable to 65,987,419 Shares Outstanding – 100.00%		<u>\$516,473,176</u>

^Zero coupon security. The rate shown is the yield at the time of purchase.

§Pre-Refunded Bonds. Municipal bonds that are generally backed or secured by U.S. Treasury bonds. For Pre-Refunded Bonds, the stated maturity is followed by the year in which the bond is pre-refunded. See Note 3 in "Notes."

•Variable rate security. The rate shown is the rate as of November 30, 2009.

ΩStep coupon bond. Indicates security that has a zero coupon that remains in effect until a predetermined date at which time the stated interest rate becomes effective.

Summary of abbreviations:

ACA – Insured by American Capital Access

AMBAC – Insured by the AMBAC Assurance Corporation

AMT – Subject to Alternative Minimum Tax

ASSURED GTY – Insured by the Assured Guaranty Corporation

FGIC – Insured by the Financial Guaranty Insurance Company

FSA – Insured by Financial Security Assurance

GNMA – Government National Mortgage Association collateral

NATL-RE – Insured by the National Public Finance Guarantee Corporation

RADIAN – Insured by Radian Asset Assurance

Notes

1. Significant Accounting Policies

The following accounting policies are in accordance with U.S. generally accepted accounting principles (GAAP) and are consistently followed by Delaware Group[®] State Tax-Free Income Trust - Delaware Tax-Free Pennsylvania Fund (Fund). This report covers the period of time since the Fund's last fiscal year end.

Security Valuation – Debt securities are valued by an independent pricing service or broker. To the extent current market prices are not available, the pricing service may take into account developments related to the specific security, as well as transactions in comparable securities. Generally, other securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith under the direction of the Fund's Board of Trustees (Board). In determining whether market quotations are readily available or fair valuation will be used, various factors will be taken into consideration, such as market closures or suspension of trading in a security.

Federal Income Taxes – No provision for federal income taxes has been made as the Fund intends to continue to qualify for federal income tax purposes as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, and make the requisite distributions to shareholders. The Fund evaluates tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. Management has analyzed the Fund's tax positions taken on federal income tax returns for all open tax years (tax years ended February 28, 2006 – February 28, 2009), and has concluded that no provision for federal income tax is required in the Fund's financial statements.

Class Accounting – Investment income and common expenses are allocated to the various classes of the Fund on the basis of "settled shares" of each class in relation to the net assets of the Fund. Realized and unrealized gain (loss) on investments is allocated to the various classes of the Fund on the basis of daily net assets of each class. Distribution expenses relating to a specific class are charged directly to that class.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of 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.

Other – Expenses directly attributable to the Fund are charged directly to the Fund. Other expenses common to various funds within the Delaware Investments[®] Family of Funds are generally allocated amongst such funds on the basis of average net assets. Management fees and some other expenses are paid monthly. Security transactions are recorded on the date the securities are purchased or sold (trade date) for financial reporting purposes. Costs used in calculating realized gains and losses on the sale of investment securities are those of the specific securities sold. Interest income is recorded on the accrual basis. Discounts and premiums are amortized to interest income over the lives of the respective securities. The Fund declares dividends daily from net investment income and pays such dividends monthly and declares and pays distributions from net realized gain on investments, if any, annually.

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On July 1, 2009, the Financial Accounting Standards Board (FASB) issued the FASB Accounting Standards Codification (Codification). The Codification became the single source of authoritative nongovernmental U.S. GAAP, superseding existing literature of the FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and other sources. The Codification is effective for interim and annual periods ending after September 15, 2009. The Fund adopted the Codification for the period ended November 30, 2009. There was no impact to financial statements as the Codification requirements are disclosure-only in nature.

Management has evaluated whether any events or transactions occurred subsequent to November 30, 2009 through January 25, 2010, the date of issuance of the Fund's schedule of portfolio holdings, and determined that there were no material events or transactions other than those already disclosed that would require recognition or disclosure in the Fund's schedule of portfolio holdings.

2. Investments

At November 30, 2009, the cost of investments for federal income tax purposes has been estimated since final tax characteristics cannot be determined until fiscal year end. At November 30, 2009, the cost of investments and unrealized appreciation (depreciation) for the Fund were as follows:

Cost of investments	<u>\$504,052,524</u>
Aggregate unrealized appreciation	22,566,646
Aggregate unrealized depreciation	(7,485,744)
Net unrealized appreciation	<u>\$ 15,080,902</u>

For federal income tax purposes, at February 29, 2009, capital loss carryforwards of \$2,951,521 may be carried forward and applied against future capital gains. Such capital loss carryforwards expire as follows: \$1,161,652 expires in 2010, \$316,507 expires in 2014, \$338,753 expires in 2016 and \$1,134,609 expires in 2017.

The Fund applies the provisions, as amended to date, of Accounting Standards Codification 820 (ASC 820), Fair Value Measurements and Disclosures. ASC 820 defines fair value as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. ASC 820 also establishes a framework for measuring fair value, and a three level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The Fund's investment in its entirety is assigned a level based upon the observability of the inputs which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below.

Level 1 – inputs are quoted prices in active markets

Level 2 – inputs are observable, directly or indirectly

Level 3 – inputs are unobservable and reflect assumptions on the part of the reporting entity

The following table summarizes the valuation of the Fund's investments by the ASC 820 fair value hierarchy levels as of November 30, 2009:

	Level 2
Municipal Bonds	<u>\$ 519,133,426</u>
Total	<u>\$ 519,133,426</u>

There were no Level 3 securities at the beginning or end of the period.

3. Credit and Market Risk

The Fund concentrates its investments in securities issued by Pennsylvania municipalities. The value of these investments may be adversely affected by new legislation within Pennsylvania, regional or local economic conditions, and differing levels of supply and demand for municipal bonds. Many municipalities insure repayment for their obligations. Although bond insurance reduces the risk of loss due to default by an issuer, such bonds remain subject to the risk that value may fluctuate for other reasons and there is no assurance that the insurance company will meet its obligations. A real or perceived decline in creditworthiness of a bond insurer can have an adverse impact on the value of insured bonds held in the Fund. At November 30, 2009, 20.51% of the Fund's net assets were insured by bond insurers. These securities have been identified in the schedule of investments.

The Fund may invest in advance refunded bonds, escrow secured bonds or defeased bonds. Under current federal tax laws and regulations, state and local government borrowers are permitted to refinance outstanding bonds by issuing new bonds. The issuer refinances the outstanding debt to either reduce interest costs or to remove or alter restrictive covenants imposed by the bonds being refinanced. A refunding transaction where the municipal securities are being refunded within 90 days from the issuance of the refunding issue is known as a "current refunding." Advance refunded bonds are bonds in which the refunded bond issue remains outstanding for more than 90 days following the issuance of the refunding issue. In an advance refunding, the issuer will use the proceeds of a new bond issue to purchase high grade interest bearing debt securities which are then deposited in an irrevocable escrow account held by an escrow agent to secure all future payments of principal and interest and bond premium of the advance refunded bond. Bonds are "escrowed to maturity" when the proceeds of the refunding issue are deposited in an escrow account for investment sufficient to pay all of the principal and interest on the original interest payment and maturity dates.

Bonds are considered "pre-refunded" when the refunding issue's proceeds are escrowed only until a permitted call date or dates on the refunded issue with the refunded issue being redeemed at the time, including any required premium. Bonds become "defeased" when the rights and interests of the bondholders and their lien on the pledged revenues or other security under the terms of the bond contract are substituted with an alternative source of revenues (the escrow securities) sufficient to meet payments of principal and interest to maturity or to the first call dates. Escrowed secured bonds will often receive a rating of AAA from Moody's Investors Service, Inc., Standard & Poor's Ratings Group, and/or Fitch Ratings due to the strong credit quality of the escrow securities and the irrevocable nature of the escrow deposit agreement.

The Fund may invest up to 15% of its net assets in illiquid securities, which may include securities with contractual restrictions on resale, securities exempt from registration under Rule 144A of the Securities Act of 1933, as amended, and other securities which may not be readily marketable. The

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relative illiquidity of these securities may impair the Fund from disposing of them in a timely manner and at a fair price when it is necessary or desirable to do so. While maintaining oversight, the Fund's Board has delegated to Delaware Management Company (DMC), a series of Delaware Management Business Trust, the day-to-day functions of determining whether individual securities are liquid for purposes of the Fund's limitation on investments in illiquid assets. Securities eligible for resale pursuant to Rule 144A, which are determined to be liquid, are not subject to the Fund's 15% limit on investments in illiquid securities. As of November 30, 2009, there were no Rule 144A securities and no securities have been determined to be illiquid under the Fund's Liquidity Procedures.

4. Sale of Delaware Investments to Macquarie Group

On August 18, 2009, Lincoln National Corporation (parent company of Delaware Investments) and Macquarie Group (Macquarie) entered into an agreement pursuant to which Delaware Investments, including DMC, DDLP and DSC, would be acquired by Macquarie, an Australia-based global provider of banking, financial, advisory, investment and funds management services (Transaction). The Transaction was completed on January 4, 2010. DMC, DDLP and DSC are now wholly owned subsidiaries of Macquarie.

The Transaction resulted in a change of control of DMC which, in turn, caused the termination of the investment advisory agreement between DMC and the Fund. On January 4, 2010, the new investment advisory agreement between DMC and the Fund that was approved by the shareholders became effective.