DELAWARE INV COLORADO INSURED MUNICIPAL INCOME FUND INC
Form N-CSR/A
August 08, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR/A

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-7810

Exact name of registrant as specified in charter:
Delaware Investments Colorado Insured Municipal Income Fund, Inc.

Address of principal executive offices:
2005 Market Street
Philadelphia, PA 19103

Name and address of agent for service:
David F. Connor, Esq.
2005 Market Street
Philadelphia, PA 19103

Registrant's telephone number, including area code: (800) 523-1918

Date of fiscal year end: March 31

Date of reporting period: March 31, 2008

Item 1. Reports to Stockholders

Annual Report

Delaware Investments
Closed-End
Municipal Bond

Funds

March 31, 2008

Closed-end funds

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Mutual fund advisory services provided by Delaware Management Company, a series of Delaware Management Business Trust, which is a registered investment advisor.

Portfolio management review

Delaware Investments Closed-End Municipal Bond Funds

April 8, 2008

The managers of Delaware closed-end municipal bond funds provided the answers to the questions below as a review of the funds activities for the fiscal year that ended March 31, 2008.

What were some of the major news events that influenced the investment environment for municipal bonds during the fiscal year ended March 31, 2008?

The fiscal year was eventful, with a credit crisis triggered by difficulties in the mortgage markets. Investment conditions within the municipal bond market as well as in the broader fixed income markets were extremely perilous. We defined several distinct phases as we looked back on the year. Each phase presented its unique challenges to bond investors and affected the municipal markets to varying degrees.

During the early part of the fiscal year, the municipal market was fairly steady. The fixed income markets were warned early of things to come as news items highlighting the problems of hedge funds invested in securities with exposure to subprime mortgages briefly shook the taxable markets.

During the summer months, the first real phase of the credit crisis hit and the municipal markets participated fully. This represented a change from previous credit events, when the flight to quality was led by the Treasury market and closely followed by the relatively safe municipal bond asset class. This time, municipals experienced price deterioration that looked more like those that generally take place within the high yield and emerging markets bond sectors. We believe the difference was a result of selling pressure by nontraditional buyers, whose buying activity during the previous several years had helped the municipal market to frequently outperform in the face of record and near-record new issue supply.

We believe these alternative investors needed to deleverage in this tenuous market and accordingly sold what assets they could. Compounding the problem, the dealer communitys capital was declining. As a result, members of the dealer community pulled back their inventory positions and were less willing to provide liquidity into the market.

What began as a liquidity issue, though, evolved into a credit crisis in November. Concerns grew stronger regarding credit ratings for monoline insurers, which underwrite insurance for much of the debt that municipalities issue. In recent years, these insurance companies have sought faster growth by insuring new and different types of investment vehicles, including the structured investment vehicles that many believe to be at the root of the credit crisis. As a result, several AAA-rated insurance providers were warned during the calendar year that they might be required to increase their capital levels to maintain top-tier ratings.

The fears surrounding insurer credit ratings further amplified outflows from the municipal debt market. These fears forced already wary municipal bond investors to re-evaluate credit ratings on what many had considered to be safe investments.

In the first quarter of calendar 2008, actual downgrades of some of the AAA-rated insurers triggered pricing pressure on municipal bonds. It impacted both leveraged buyers of municipal bonds and a funding vehicle within the municipal market called auction rate securities, or ARS. The leveraged buyers, known as tender option bond programs (TOBs), were squeezed as their hedges worked against them.

TOBs allow owners to borrow at a short-term rate and reinvest the proceeds in higher-yielding, longer-term bonds. These investors were long municipal bonds, the underperforming asset. This led to margin calls and more selling of tax-exempt securities, and eventually to more downward pressure on municipal prices.

Another casualty of the insurer downgrades during the quarter was the tax-exempt ARS market. These bonds have long maturities, but have rates that reset between 7 and 35 days based on an auction process that matches potential

The views expressed are current as of the date of this report and are subject to change.

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Portfolio management review

Delaware Investments Closed-End Municipal Bond Funds

buyers with sellers. Under normal market conditions, a successful auction provides face value liquidity for any holders wishing to exit the position. As the ratings of Financial Guaranty Insurance Company (FGIC) and XL Capital Assurance were downgraded from AAA, buyers of these securities became very cautious. At the same time, the dealer community, facing liquidity constraints, was in no position to step in and fill the void. Auctions started failing, forcing resets to contractual maximum rates, which often were punitive from the issuer's perspective. Several issuers have responded by converting their ARS into longer-term securities.

These forces culminated at the end of February. The already constrained dealer community had shifted its focus primarily to the auction rate market. The TOBs had massive sell lists of intermediate and long-term bonds. Without strong dealer support, the municipal market suffered. Long-term municipal yields rose for three straight days while the Treasury market rallied.

New issue volume nationally set a record in calendar 2007, although issuance slowed as the year progressed. Overall, a record $427 billion in new tax-exempt municipal bonds were issued in 2007. New-issue volume early in 2008 remains quiet, with the pace through the end of March off 25% from the same period one year ago (source: Bond Buyer).

How did the technical environment change during the year?

The yield curve steepened significantly during the year. The fiscal year began with the curve historically narrow — at 58 basis points between 2- and 30-year maturity bonds (yields of 3.54% and 4.12%, respectively). The steepening of the curve occurred with each phase of the liquidity crisis, and by the end of March 2008 the curve had widened to 267 basis points.

As might be expected given the credit environment described earlier, municipal bonds traded more cheaply than Treasury bonds as the year wore on. Municipal bonds started the year with 30-year yields at 85% of those of long Treasury bonds. Municipal bonds normally trade with lower yields than Treasury bonds due to their favorable tax treatment. When the first phase of the credit crunch hit in July, the municipal bond to Treasury yield ratio began to increase in July and jumped higher with each subsequent credit event.

At the end of February 2008, the relative yield ratios for municipals soared under the selling pressure from the TOBs. The ratio of yields between 30-year municipal and Treasury bonds exploded from an already historically cheap 103.4% to an unprecedented 116.3%. In March, municipals recovered only modestly and ended the quarter extremely cheap relative to Treasury bonds — at 113.4%. To put these ratios in perspective, this ratio has averaged 93% during the past 10 years and the previous high (with available data going back to 1981) was 102.5%. (Source: Thomson.)

Delaware Investments Arizona Municipal Income Fund, Inc.

What conditions prevailed in the Arizona economy?

Arizona's housing market has softened significantly since March 2007, like that of much of the nation. Median home prices in the Phoenix area had declined 15% year-over-year as of December 2007, significantly more than the national median decline of 9% (source: Standard & Poor's).

Recent slowing in the rate of employment reflects the impact of a weakened housing sector, which can also be seen in the state's construction sectors. After two years of double-digit growth, employment figures for calendar year 2007 show a 6.6% decline in construction jobs. (Source: Moody's.)

According to U.S. Labor Department data, Arizona unemployment rates, at 4% during the month of February 2008, remained below national rates of 4.8%. Arizona's nonfarm payroll employment growth of 1.2% in 2007 was considerably weaker than the state's 5% growth in 2006 (source: Moody's).

Recurring revenues for the state's fiscal year ended June 30, 2007, as well as initial estimates through Dec. 31, 2008, from sales and individual income tax collections, were lower than projected thus far. The decline

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in tax collections corresponds to a 5% income tax cut granted for fiscal year July 1, 2007, through June 30, 2008. The state also lost $200 million of ongoing property tax revenues last fiscal year when it elected to eliminate the state equalization property tax for fiscal years 2007 through 2009.

The governor's many proposals to bridge the resulting budget gaps include a hiring freeze on all cabinet agencies, budget reductions, and deferring capital outlay projects. The state of municipal bond issuance in Arizona reflects the need to offset such budget woes through a significant issuance increase of 61.4% in 2007, to total $8.8 billion (source: Bond Buyer).

How did you position the Fund?

We focused on balancing the Fund — both to remain true to our core philosophy of generating competitive tax-exempt income and to strategically position the investment portfolio — given our expectation of a steeper yield curve and a tenuous credit environment.

During the year, we methodically adjusted the Fund's positioning to mitigate losses and to seek yield, where possible. For example, we reduced the Fund's exposure to insured bonds (from 45% to 38% as a percentage of net assets, including the liquidation value of preferred stock) at fiscal year end. On average, the Lehman Brothers Municipal Bond Index consisted of 43% insured bonds during the fiscal year. (This percentage dropped in February 2008 to 34%, as Lehman only considers the AAA-rated insurers within their "insured" sub-index and during the month a couple of the insurers lost their AAA rating.)

This underweight served the Fund well given the panic that overtook many investors regarding the quality of insurance that wraps municipal bond issues. As measured by the returns of the Lehman indices, the Insured Municipal Index underperformed the broad Lehman Brothers Municipal Bond Index for the 12 months ended March 31, 2008 (1.06% versus 1.90%, respectively) (source: Lehman Brothers).

Given our expectations for a steeper yield curve, we also trimmed the Fund's holdings on the long end (20-plus years) of the yield curve in favor of a greater investment in bonds with 3- to 15-year maturities — what we refer to as the "belly" of the yield curve. We believe that this change helped Fund performance during the year. Again, as gauged by the Lehman Brothers Municipal Bond Index returns — this time broken down by maturity — the belly outperformed the long end for the fiscal year. We also increased (from 26% to 33% as a percentage of net assets, including the liquidation value of preferred stock) the Fund's exposure to refunded bonds (also known as pre-refunded bonds) during the year. Pre-refunded bonds were among the better-performing bonds within the municipal market. They face minimal credit risk because they are backed by the invested debt proceeds of a second bond issue, which typically consist of U.S. Treasury securities.

What sectors or individual securities were noteworthy for their effect on Fund performance?

The largest detractors to the Fund's return were functions of credit and curve — investments further out on the yield curve and lower in quality. Within the Fund, bonds issued to finance education, as well as hospitals and other healthcare projects, fit this mold, underperforming other areas of the municipal bond market during the fiscal year. For example, among Fund holdings of healthcare bonds, a University Medical Center Corporation bond performed poorly. Rated Baa1 by Moody's and BBB+ by S&P, this revenue bond has a long final maturity of 2035.

On the positive side, relatively safe investments such as pre-refunded bonds were among the better-performing bonds within the municipal market. The two best-performing bonds were holdings that had been pre-refunded by the issuer during the year. Bonds issued by Oro Valley Municipal Property Corporation were among the examples of holdings whose performance benefited from pre-refunding during the year. The Funds position in bonds issued by Scottsdale Industrial Development Authority for Scottsdale Healthcare also added to the Funds return. This bond was refinanced before the year began.

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Portfolio management review

Delaware Investments Closed-End Municipal Bond Funds

Delaware Investments Colorado Municipal Income Fund, Inc.

What conditions prevailed in the Colorado economy?

Colorados economy continues to show modest growth despite growing concern about the national economic picture. However, recent economic data suggest that Colorado could experience a mild slowdown. According to the Colorado Office of State Planning and Budgeting, the unemployment rate was 3.8% in Colorado for calendar year 2007, the lowest reading since 2000. Although Colorados unemployment rate of 4.4% in the month of February 2008 is below national level of 4.8% for the same month, this subsequent rise in Colorado is evidence that the employment outlook has softened since December (source: U.S. Department of Labor).

After increasing 8.3% in fiscal year July 1, 2006, through June 30, 2007, due to healthy increases in individual income taxes, the states gross general fund revenue forecasts are significantly lower for the upcoming years. National and global economic influences will likely continue to limit growth over the next year or two. Due to decreases associated with individual income tax receipts along with the near-term negative impact from the federal stimulus package, the forecast for state general fund revenues for fiscal years 20072008 fell $127.3 million. In spite of a weakening income tax base that is reducing expectations, total sales tax collections have remained relatively strong and are expected to increase 7.1% for the biennium. (Source: Colorado Office of State Planning and Budgeting.)

Municipal bond issuance in Colorado decreased 6.2% in 2007 to a total of almost $8.3 billion (source: The Bond Buyer).

In light of this macroeconomic environment, how did you position the Fund?

We focused on balancing the Fund both to remain true to our core philosophy of generating competitive tax-exempt income and to strategically position the investment portfolio given our expectation of a steeper yield curve and a tenuous credit environment.

During the year, we methodically adjusted the Funds positioning to mitigate losses and to seek yield, where possible. For example, we reduced the Funds exposure to insured bonds (from 63% to 56% as a percentage of net assets, including the liquidation value of preferred stock) at fiscal year end. Recall that during the fiscal year, the Funds mandate was changed from an insured to a general Colorado fund. On average, the Lehman Brothers Municipal Bond Index consisted of 43% insured bonds during the fiscal year. (This percentage dropped in February 2008 to 34%, as Lehman only considers the AAA-rated insurers within their insured sub-index and during the month a couple of the insurers lost their AAA rating.)

Even at the reduced level, this overweight would have had a negative influence on the Funds returns given the panic that overtook many investors regarding the quality of insurance that wraps municipal bond issues. As measured by the returns of the Lehman indices, the Insured Municipal Index underperformed the broad Lehman Brothers Municipal Bond Index for the 12 months ended March 31, 2008 (1.06% versus 1.90%, respectively). (Source: Lehman Brothers.)

Given our expectations for a steeper yield curve, we also trimmed the Funds holdings on the long end (20-plus years) of the yield curve in favor of a greater investment in bonds with 2- to 15-year maturities what we refer to as the belly of the yield curve. We believe that this change helped Fund performance during the year, and we would expect it to continue to help if the curve steepens further. Again, as gauged by the Lehman Brothers Municipal Bond Index returns this time broken down by maturity the belly outperformed the long end for the fiscal year. We also increased (from 32% to 38.5% as a percentage of net assets, including the liquidation value of preferred stock) the Funds exposure to refunded bonds (also known as pre-refunded bonds) during the year. Pre-refunded bonds were among the better-performing bonds within the municipal market. They face minimal credit risk because they are backed by the invested debt proceeds of a second bond issue, which typically consist of U.S. Treasury securities.

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What sectors or individual securities were noteworthy for their effect on Fund performance?

The largest detractors to the Funds return were functions of credit and curve investments further out on the yield curve and lower in quality. Within the Fund, longer bonds insured by the insurers that received downgrades provided the weakest performance during the fiscal year. Representative of these was a Denver revenue bond issued for the Convention Center. Due in 2035, the bond was issued with insurance by XL Capital Assurance. During the first quarter of 2008, all three ratings agencies downgraded the bonds from AAA. The insurer-strength ratings for XL Capital from Moodys, S&P, and Fitch were A3, A-, and A, respectively.

On the positive side, relatively safe investments such as pre-refunded bonds were among the better-performing bonds within the municipal market. Two of the best-performing bonds were holdings that were pre-refunded by the issuer during the year. Bonds issued by Northwest Parkway Public Highway Authority were among the examples of holdings where performance benefited from pre-refunding during the year. The Funds position in revenue bonds issued by Aurora, Colo., also added to the Funds return. These bonds were refinanced before the year began.

Delaware Investments Minnesota Municipal Income Fund II, Inc.

What conditions prevailed in the Minnesota economy?

In our opinion, Minnesota has a fundamentally sound economy today. With a 30% share of local jobs, the service sector is the largest employer in Minnesota, with major employers in healthcare and business service companies. For the past two years the state has lagged the nation in employment growth. Unemployment levels have typically been one to two points below national averages. In recent months, the state has recorded levels higher than the national average. (Source: Moodys and Standard & Poors.)

According to the Minnesota Department of Finance, tax revenues for fiscal 2007 were up 2.2% and the states general fund ended fiscal 2007 with an increase over 2006.

The enacted $34.5 billion 2008 and 2009 budget projects total general fund spending to increase by more than 9%. Standard & Poors reports that a revision to the economic outlook resulted in the projection of lower revenues and a structural imbalance for the current and coming bienniums. State general fund revenues are now forecast to total $32.5 billion, leaving a projected $935 million deficit for the current biennium, with larger deficits predicted for the future.

Municipal bond issuance in Minnesota decreased 0.2% in calendar 2007 to a total of almost $6.7 billion (source: The Bond Buyer).

How did you position the Fund?

We focused on balancing the Fund both to remain true to our core philosophy of generating competitive tax-exempt income and to strategically position the investment portfolio given our expectation of a steeper yield curve and a tenuous credit environment.

During the year, we monitored and methodically adjusted the Funds positioning to mitigate losses and to seek yield, where possible. For example, the Fund maintained about a 28% (as a percentage of net assets, including the liquidation value of preferred stock) exposure to insured bonds. On average, the Lehman Brothers Municipal Bond Index consisted of 43% insured bonds during the fiscal year. (This percentage dropped in February 2008 to

34%, as Lehman only considers the AAA-rated insurers within their insured sub-index and during the month a couple of the insurers lost their AAA rating.)

This underweight served the Fund well given the panic that overtook many investors regarding the quality of insurance that wraps municipal bond issues. As measured by the returns of the Lehman indices, the Insured Municipal Index underperformed the broad Lehman Brothers Municipal Bond Index for the 12 months ended March 31, 2008 (1.06% versus 1.90%, respectively.) (Source: Lehman Brothers.)

Given our expectations for a steeper yield curve, we trimmed the Fund s holdings on the long end (20-plus years) of the yield curve in favor of a greater investment in bonds with 2- to 15-year maturities what we refer to as

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Portfolio management review

Delaware Investments Closed-End Municipal Bond Funds

the belly of the yield curve. We believe that this change helped Fund performance during the year, and we would expect it to continue to help if the curve steepens further. Again, as gauged by the Lehman Brothers Municipal Bond Index returns this time broken down by maturity the belly outperformed the long end for the fiscal year. We also increased (from 24% to 26.5% as a percentage of net assets, including the liquidation value of preferred stock) the Fund s exposure to refunded bonds (also known as pre-refunded bonds) during the year. Pre-refunded bonds were among the better-performing bonds within the municipal market. They face minimal credit risk because they are backed by the invested debt proceeds of a second bond issue, which typically consist of U.S. Treasury securities.

What sectors or individual securities were noteworthy for their effect on Fund performance?

The largest detractors to the Fund s return were functions of credit and curve investments further out the yield curve and lower in quality. Within the Fund, bonds issued to finance education, as well as hospitals and other healthcare projects, fit this mold, underperforming other areas of the municipal bond market during the fiscal year. Likewise, industrial development revenue (IDR) bonds, which are issued by a government agency on behalf of a private sector company, detracted from the Fund s returns largely for the same reasons. Among Fund holdings of healthcare bonds, a revenue bond issued by the City of St. Paul, due in 2036, performed poorly. Rated Baa1 by Moody s and BBB by S&P, this long revenue bond was issued to finance a not-for-profit integrated healthcare system.

On the positive side, relatively safe investments such as pre-refunded bonds were among the better-performing bonds within the municipal market. Three of the best-performing bonds were pre-refunded by the issuer during the year. Bonds issued by the City of Duluth for the Benedictine Health System were among the examples of holdings whose performance benefited from pre-refunding during the year. The Fund s position in electric revenue bonds issued by the City of Rochester also added to the Fund s return. These bonds were re-financed before the year began.

Delaware Investments National Municipal Income Fund

How was the Fund positioned differently during this fiscal year?

Effective Oct. 15, 2007, the name of the Fund was changed from Florida Insured Municipal Income Fund to National Municipal Income Fund, reflecting a changed investment strategy. The new strategy eliminated a fundamental investment policy requiring the Fund to invest 80% of its net assets in insured, AAA-rated municipal bonds issued by the State of Florida. The Fund may, as a nonfundamental policy, (1) invest without limitation in uninsured, investment grade municipal securities of states other than Florida (including those rated below AAA) and (2) invest up to 20% of its net assets in noninvestment grade municipal securities. As of March 31, 2008, about 80% of the Fund s holdings remained in Florida bond issues.

Nationwide, what were a few highlights of the municipal debt market?

Bond sales in the United States for 2007 increased to more than $427 billion, which is 10% more than the 2006 figure of $388 million. This was record growth, yet the pace of sales slowed late in the calendar year and into 2008. In the first quarter of 2008, new-issue volume was off markedly from one year ago with the $80 billion coming to market representing a 25% decline from the same period a year ago (source: The Bond Buyer). Related to the overall slowing economic growth, unemployment across the country moved higher to 5.1% in March 2008. Most significantly, the housing crisis blamed on subprime mortgage woes had an extremely negative effect on the countrys overall economy, as described in the first section of this management review beginning on page 1.

How did you position the Fund?

We focused on balancing the Fund both to remain true to our core philosophy of generating competitive tax-exempt income and to strategically position the investment portfolio given our expectation of a steeper yield curve and a tenuous credit environment.

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During the year, we methodically adjusted the Funds positioning to mitigate losses and to seek yield, where possible. For example, we reduced the Funds exposure to insured bonds (from 93% to 79% as a percentage of net assets, including the liquidation value of preferred stock) at fiscal year end. Recall that during the fiscal year, the Funds mandate was changed from an insured to a general market fund. On average, the Lehman Brothers Municipal Bond Index consisted of 43% insured bonds during the fiscal year. (This percentage dropped in February 2008 to 34%, as Lehman only considers the AAA-rated insurers within their insured sub-index and during the month a couple of the insurers lost their AAA rating.)

Even at the reduced level, this overweight would have had a negative influence on the Funds returns given the panic that overtook investors regarding the quality of insurance that wraps municipal bond issues. As measured by the returns of the Lehman indices, the Insured Municipal Index underperformed the broad Lehman Brothers Municipal Bond Index for the 12 months ended March 31, 2008 (1.06% versus 1.90%, respectively). (Source: Lehman Brohers.)

Given our expectations for a steeper yield curve, we also trimmed the Funds holdings on the long end (20-plus years) of the yield curve in favor of a greater investment in bonds with 2- to 15-year maturities what we refer to as the belly of the yield curve. Exposure to the long end of the curve was reduced from 76% to 60% at fiscal year end. We believe that this change helped Fund performance during the year, and we would expect it to continue to help if the curve steepens further. Again, as gauged by the Lehman Brothers Municipal Bond Index returns this time broken down by maturity the belly outperformed the long end for the fiscal year.

What sectors of individual securities were noteworthy for their effect on Fund performance?

The largest detractors to the Funds return were largely functions of curve investments further out on the yield curve. Within the Fund, longer bonds insured by the insurers receiving downgrades provided the weakest performance during the fiscal year. Representative of these was a Miami-Dade revenue bond issued for the international airport. Due in 2037, the bond was issued with insurance by Financial Guaranty Insurance Company (FGIC). During the first quarter of 2008, all three ratings agencies downgraded the bonds from AAA. As of the end of the fiscal year, the insurer-strength ratings for FGIC from Moodys, S&P, and Fitch were Baa3, BB, and BBB, respectively. This bond is rated higher (A2, A-, and A, respectively) based upon the underlying strength of the issue itself.

On the positive side, bonds in the belly of the curve and pre-refunded bonds were among the better-performing bonds. Bonds that have been pre-refunded face minimal credit risk because they are backed by the invested debt proceeds of a second bond issue, which typically consist of U.S. Treasury securities. One such bond was a Florida Board of Education bond originally due in 2021, pre-refunded to its first call date in 2010.

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Fund basics

Delaware Investments
Arizona Municipal Income Fund, Inc.

As of March 31, 2008

Fund objective
The Fund seeks to provide current income exempt from both regular federal income tax and from Arizona personal income tax, consistent with preservation of capital.

Total Fund net assets
$41.3 million

Number of holdings
61

Fund start date
Feb. 26, 1993

Delaware Investments
Colorado Municipal Income Fund, Inc.
(Formerly Delaware Investments Colorado Insured Municipal Income Fund, Inc.)

As of March 31, 2008

Fund objective
The Fund seeks to provide current income exempt from both regular federal income tax and Colorado state personal income tax, consistent with preservation of capital.

Total Fund net assets
$69.0 million

Number of holdings
59

Fund start date
July 29, 1993

Delaware Investments
Minnesota Municipal Income Fund II, Inc.

As of March 31, 2008

Fund objective
The Fund seeks to provide current income exempt from both regular federal income tax and Minnesota state personal income tax, consistent with preservation of capital.

Total Fund net assets
$163.3 million

Number of holdings
127

Fund start date
Feb. 26, 1993

Delaware Investments
National Municipal Income Fund
(Formerly Delaware Investments Florida Insured Municipal Income Fund)

As of March 31, 2008

Fund objective
The Fund seeks to provide current income exempt from regular federal income tax, consistent with preservation of capital.
Total Fund net assets
$32.4 million
Number of holdings
45
Fund start date
Feb. 26, 1993

Sector/State allocations and credit quality breakdowns

As of March 31, 2008

Sector designations may be different than the sector designations presented in other Fund materials.

Delaware Investments
Arizona Municipal Income Fund, Inc.

Sector	Percentage of Net Assets
Municipal Bonds	**157.49%**
Education Revenue Bonds	16.52%
Electric Revenue Bonds	8.67%
Escrowed to Maturity Bond	6.28%
Health Care Revenue Bonds	17.06%
Housing Revenue Bonds	2.14%
Lease Revenue Bonds	6.45%
Local General Obligation Bonds	21.70%
Pre-Refunded Bonds	45.86%
Special Tax Revenue Bonds	15.56%
Transportation Revenue Bonds	7.75%
Water & Sewer Revenue Bonds	9.50%
Total Value of Securities	**157.49%**
Receivables and Other Assets Net of Liabilities	**3.05%**
Liquidation Value of Preferred Stock	**(60.54%)**
Total Net Assets	**100.00%**

Credit Quality Breakdown (as a % of fixed income investments)	
AAA	57.70%
AA	23.28%
A	5.72%
BBB	13.30%
Total	**100.00%**

Delaware Investments
Colorado Municipal Income Fund, Inc.

Sector	Percentage of Net Assets
Municipal Bonds	**155.05%**
Education Revenue Bonds	28.66%
Electric Revenue Bond	1.40%
Health Care Revenue Bonds	5.36%
Lease Revenue Bonds	8.16%
Local General Obligation Bonds	22.77%
Pre-Refunded Bonds	60.15%
Special Tax Revenue Bonds	11.38%
State General Obligation Bond	3.50%
Transportation Revenue Bond	1.43%
Water & Sewer Revenue Bonds	12.24%
Short-Term Investment	**1.36%**
Total Value of Securities	**156.41%**
Receivables and Other Assets Net of Liabilities	**1.58%**
Liquidation Value of Preferred Stock	**(57.99%)**
Total Net Assets	**100.00%**

Credit Quality Breakdown

(as a % of fixed income investments)

AAA	81.46%
AA	8.30%
A	10.24%
Total	**100.00%**

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Sector designations may be different than the sector designations presented in other Fund materials.

Delaware Investments
Minnesota Municipal Income Fund II, Inc.

Sector	Percentage of Net Assets
Municipal Bonds	**160.05%**
Corporate-Backed Revenue Bonds	6.36%
Education Revenue Bonds	6.67%
Electric Revenue Bonds	21.46%
Escrowed to Maturity Bonds	17.50%
Health Care Revenue Bonds	17.46%
Housing Revenue Bonds	8.73%
Lease Revenue Bonds	9.53%
Local General Obligation Bonds	20.05%
Pre-Refunded Bonds	32.93%
Special Tax Revenue Bonds	5.74%
State General Obligation Bonds	5.92%
Transportation Revenue Bonds	7.70%
Short-Term Investment	**0.29%**
Total Value of Securities	**160.34%**
Liabilities Net of Receivables and Other Assets	**(2.17%)**
Liquidation Value of Preferred Stock	**(58.17%)**
Total Net Assets	**100.00%**

Credit Quality Breakdown

(as a % of fixed income investments)

AAA	53.94%
AA	14.09%

A	17.94%
BBB	10.02%
BB	2.10%
B	0.36%
Non Rated	1.55%
Total	**100.00%**

Delaware Investments
National Municipal Income Fund

Sector	Percentage of Net Assets
Municipal Bonds	**155.34%**
Corporate-Backed Revenue Bonds	3.07%
Education Revenue Bond	3.87%
Electric Revenue Bond	3.07%
Health Care Revenue Bonds	21.87%
Housing Revenue Bonds	16.12%
Lease Revenue Bonds	17.80%
Local General Obligation Bonds	6.65%
Pre-Refunded Bonds	11.74%
Special Tax Revenue Bonds	27.00%
State General Obligation Bond	4.15%
Transportation Revenue Bonds	19.74%
Water & Sewer Revenue Bonds	20.26%
Short-Term Investments	**5.56%**
Total Value of Securities	**160.90%**
Receivables and Other Assets Net of Liabilities	**0.89%**
Liquidation Value of Preferred Stock	**(61.79%)**
Total Net Assets	**100.00%**

State

(as a % of fixed income investments)	
Colorado	2.01%
Florida	82.54%
Iowa	0.96%
New York	4.96%
Pennsylvania	1.77%
Puerto Rico	3.66%
Texas	3.16%
Virginia	0.94%
Total	**100.00%**

Credit Quality Breakdown

(as a % of fixed income investments)	
AAA	77.76%
AA	12.29%
A	9.06%
BBB	0.89%
Total	**100.00%**

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Statements of net assets

Delaware Investments Arizona Municipal Income Fund, Inc.

March 31, 2008

Principal

	Amount	Value
Municipal Bonds 157.49%		
Education Revenue Bonds 16.52%		
Arizona Board of Regents System		
Revenue (Arizona State University)		
Series 8-A		
5.00% 6/1/18	$ 200,000	$ 217,310
5.00% 6/1/19	375,000	403,196
Arizona State University Certificates		
of Participation (Research		
Infrastructure Project)		
5.00% 9/1/30 (AMBAC)	1,000,000	990,640
Arizona Student Loan Acquisition		
Authority Revenue Refunding		
Series A-1 5.90% 5/1/24 (AMT)	1,500,000	1,555,845
Glendale Industrial Development		
Authority Revenue Refunding		
(Midwestern University)		
5.00% 5/15/31	350,000	329,413
Northern Arizona University Certificates		
of Participation (Northern Arizona		
University Research Project)		
5.00% 9/1/30 (AMBAC)	1,000,000	997,280
Pima County Industrial Development		
Authority Revenue Refunding		
(Tucson Country Day School Project)		
5.00% 6/1/37	500,000	401,060
South Campus Group Student		
Housing Revenue (Arizona State		
University South Campus Project)		
5.625% 9/1/35 (MBIA)	1,000,000	1,016,730
University of Puerto Rico Revenue		
Series Q 5.00% 6/1/36	1,000,000	910,140
		6,821,614
Electric Revenue Bonds 8.67%		
Salt River Project Agricultural		
Improvement & Power District		
Electric System Revenue		
(Salt River Project)		
Series A 5.00% 1/1/16	500,000	550,500
5.00% 1/1/31	1,765,000	1,762,476
Series B 5.00% 1/1/25	1,250,000	1,266,775
		3,579,751
Escrowed to Maturity Bond 6.28%		
Puerto Rico Commonwealth		
Infrastructure Financing Authority		
Series A 5.50% 10/1/40	2,500,000	2,594,675
		2,594,675
Health Care Revenue Bonds 17.06%		
Glendale Industrial Development		
Authority Hospital Refunding		
Revenue (John C. Lincoln Health)		
5.00% 12/1/42	1,500,000	1,280,355

Maricopa County Industrial Development Authority Revenue (Catholic Healthcare West) Series A		
5.25% 7/1/32	400,000	386,920
5.50% 7/1/26	430,000	435,513
Show Low Industrial Development Authority Hospital Revenue (Navapache Regional Medical Center) Series A		
5.50% 12/1/17 (ACA)	1,600,000	1,606,304
University Medical Center Hospital Revenue		
5.00% 7/1/33	1,000,000	883,700
5.00% 7/1/35	500,000	438,710
Yavapai County Industrial Development Authority Revenue (Yavapai Regional Medical Center)		
Series A 5.25% 8/1/21 (RADIAN)	2,000,000	2,013,700
		7,045,202
Housing Revenue Bonds 2.14%		
Phoenix Industrial Development Authority Single Family Statewide Revenue		
Series A 5.35% 6/1/20 (GNMA) (FNMA) (FHLMC) (AMT)	450,000	451,328
Series C 5.30% 4/1/20 (GNMA) (FNMA) (FHLMC) (AMT)	370,000	375,583
Pima County Industrial Development Authority Single Family Mortgage Revenue Series A-1		
6.125% 11/1/33 (GNMA) (FNMA) (FHLMC) (AMT)	55,000	55,793
		882,704
Lease Revenue Bonds 6.45%		
Arizona Game & Fishing Department & Commission Beneficial Interest Certificates (AGF Administration Building Project) 5.00% 7/1/26	640,000	618,394
Coconino County Unified School District #8 (Page Impact Aid Revenue Project of 2004)		
Series A 5.00% 7/1/15 (MBIA)	1,000,000	1,074,200
Nogales Development Authority Municipal Facilities Revenue		
5.00% 6/1/30 (AMBAC)	500,000	473,060
Prescott Valley Municipal Property		
5.00% 1/1/27 (FGIC)	500,000	498,755
		2,664,409
Local General Obligation Bonds 21.70%		
Coconino & Yavapai Counties Joint Unified School District #9 (Sedona Oak Creek Project 2007)		

Series A 4.25% 7/1/20 (FSA)	900,000	905,535
Flagstaff Aspen Place Sawmill Improvement District 5.00% 1/1/32	385,000	375,564
ϕGila County Unified School District #10 Improvement (Payson Step Coupon Project of 2006) Series A 1.00% 7/1/27 (AMBAC)	500,000	469,965

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	Principal Amount	Value
Municipal Bonds (continued)		
Local General Obligation Bonds (continued)		
Marana Tangerine Farm Road Improvement District Revenue 4.60% 1/1/26	$1,000,000	$ 893,530
Maricopa County School District #6 (Washington Elementary) Refunding Series A 5.375% 7/1/13 (FSA)	3,000,000	3,343,560
(School Improvement Project of 2001) Series B 5.00% 7/1/17 (FSA)	1,000,000	1,103,050
Maricopa County Unified School District #41 (Gilbert School) (School Improvement Projects 2005 & 2007) 4.125% 7/1/20	1,000,000	982,950
Queen Creek Improvement District #1 5.00% 1/1/32	1,000,000	888,040
		8,962,194
§Pre-Refunded Bonds 45.86%		
Arizona School Facilities Board Certificates of Participation Series B 5.25% 9/1/19-14 (FSA)	1,000,000	1,119,950
Arizona School Facilities Board Revenue (State School Improvement) Series 2001 5.00% 7/1/19-11	2,000,000	2,148,260
(State School Trust) Series A 5.75% 7/1/18-14 (AMBAC)	500,000	573,355
Arizona Transportation Board Highway Revenue 5.75% 7/1/18-09	2,350,000	2,466,700
Arizona Water Infrastructure Finance Authority Revenue (Water Quality) Series A 5.05% 10/1/20-11	1,500,000	1,620,885
Oro Valley Municipal Property Excise Tax 5.00% 7/1/20-11 (FGIC)	1,000,000	1,083,320
Phoenix Civic Improvement Excise Tax (Senior Lien Municipal Courthouse Project) Series A 5.25% 7/1/24-09	1,000,000	1,053,290

Puerto Rico Commonwealth Public Improvement Revenue Series A 5.125% 7/1/31-11	250,000	269,500
Puerto Rico Highway & Transportation Authority Transportation		
Series D 5.00% 7/1/32-12 (FSA)	3,475,000	3,769,749
Series K 5.00% 7/1/40-15	500,000	555,235
Scottsdale Industrial Development Authority Hospital Revenue (Scottsdale Healthcare) 5.80% 12/1/31-11	1,000,000	1,115,990
Southern Arizona Capital Facilities Finance (University of Arizona Project) 5.00% 9/1/23-12 (MBIA)	1,150,000	1,251,005
University of Arizona Certificates of Participation (University of Arizona Project) Series B 5.125% 6/1/22-12 (AMBAC)	500,000	543,715
Virgin Islands Public Finance Authority Revenue (Gross Receipts Tax Loan Note) Series A 6.125% 10/1/29-10 (ACA)	1,250,000	1,366,913
		18,937,867
Special Tax Revenue Bonds 15.56%		
Arizona Tourism & Sports Authority (Multipurpose Stadium Facilities) Series A 5.00% 7/1/31 (MBIA)	1,000,000	989,080
Arizona Transportation Board Excise Tax Revenue (Maricopa County) 5.00% 7/1/19	750,000	803,873
Glendale Municipal Property Series A 5.00% 7/1/33 (AMBAC)	3,000,000	2,974,259
Peoria Municipal Development Authority Sales Tax & Excise Shared Revenue (Senior Lien) 5.00% 1/1/18	1,085,000	1,174,556
San Luis Civic Improvement Municipal Facilities Excise Tax Revenue 5.00% 7/1/38 (XLCA)	500,000	482,585
		6,424,353
Transportation Revenue Bonds 7.75%		
Arizona Transportation Broad Grant Anticipation Notes 5.00% 7/1/14	250,000	274,703
Phoenix Civic Improvement Corporation Airport Revenue Series B 5.25% 7/1/27 (FGIC) (AMT)	2,000,000	1,903,299
Puerto Rico Commonwealth Highway & Transportation Authority Un-Refunded Balance Series D 5.00% 7/1/32 (FSA)	1,025,000	1,022,069
		3,200,071
Water & Sewer Revenue Bonds 9.50%		

Phoenix Civic Improvement Wastewater		
Systems Revenue Junior Lien		
5.00% 7/1/19 (MBIA)	850,000	911,056
5.00% 7/1/24 (FGIC)	1,590,000	1,602,671
5.00% 7/1/26 (FGIC)	750,000	755,363
Scottsdale Water & Sewer Revenue		
Refunding 5.00% 7/1/19	600,000	653,892
		3,922,982
Total Municipal Bonds		
(cost $64,499,738)		**65,035,822**

(continues)

Statements of net assets

Delaware Investments Arizona Municipal Income Fund, Inc.

Total Value of Securities 157.49%	
(cost $64,499,738)	**$ 65,035,822**
Receivables and Other Assets	
Net of Liabilities 3.05%	**1,258,151**
Liquidation Value of Preferred Stock (60.54%)	**(25,000,000)**
Net Assets Applicable to 2,982,200	
Shares Outstanding 100.00%	**$ 41,293,973**

Net Asset Value Per Common Share	
($41,293,973 / 2,982,200 Shares)	$13.85

Components of Net Assets at March 31, 2008:	
Common stock, $0.01 par value, 200 million shares	
authorized to the Fund	$ 40,780,234
Distributions in excess of net investment income	(15,481)
Accumulated net realized loss on investments	(6,864)
Net unrealized appreciation of investments	536,084
Total net assets	$ 41,293,973

ϕStep coupon bond. Coupon increases periodically based on a predetermined schedule. Stated rate in effect at March 31, 2008.

§Pre-Refunded bonds. Municipals 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 8 in Notes to financial statements.

Summary of Abbreviations:
ACA Insured by American Capital Access
AMBAC Insured by the AMBAC Assurance Corporation
AMT Subject to Alternative Minimum Tax
FGIC Insured by the Financial Guaranty Insurance Company
FHLMC Insured by the Federal Home Loan Mortgage Corporation
FNMA Insured by Federal National Mortgage Association
FSA Insured by Financial Security Assurance
GNMA Insured by Government National Mortgage Association
MBIA Insured by the Municipal Bond Insurance Association
RADIAN Insured by Radian Asset Assurance
XLCA Insured by XL Capital Assurance

See accompanying notes

Delaware Investments Colorado Municipal Income Fund, Inc.

March 31, 2008

	Principal Amount	Value
Municipal Bonds 155.05%		
Education Revenue Bonds 28.66%		
Boulder County Development Revenue Refunding (University Corporation for Atmospheric Research) 5.00% 9/1/26 (MBIA)	$4,500,000	$ 4,515,210
Colorado Educational & Cultural Facilities Authority Revenue		
(Bromley Charter School Project) Refunding 5.25% 9/15/32 (XLCA)	1,000,000	1,005,490
(Johnson & Wales University Project) Series A 5.00% 4/1/28 (XLCA)	3,000,000	2,925,930
(Littleton Charter School Project) Refunding 4.375% 1/15/36 (CIFG)	1,200,000	1,049,676
(University of Northern Colorado) Series A 5.00% 7/1/31 (MBIA)	2,500,000	2,486,200
Colorado State Board of Governors (Colorado University) Series B 5.00% 3/1/35 (AMBAC)	1,800,000	1,776,330
University of Colorado Enterprise System Revenue Series A 5.00% 6/1/30 (AMBAC)	2,000,000	2,003,860
University of Northern Colorado Revenue Refunding 5.00% 6/1/35 (FSA)	4,000,000	4,002,120
		19,764,816
Electric Revenue Bond 1.40%		
Arkansas River Power Authority Revenue Improvement 5.25% 10/1/32 (XLCA)	1,000,000	963,970
		963,970
Health Care Revenue Bonds 5.36%		
Colorado Health Facilities Authority Revenue		
(North Colorado Medical Center) Refunding 5.95% 5/15/12 (MBIA)	1,070,000	1,121,339
(Porter Place) Series A 6.00% 1/20/36 (GNMA)	2,515,000	2,575,385
		3,696,724
Lease Revenue Bonds 8.16%		
Denver Convention Center Hotel Authority Revenue Refunding 5.00% 12/1/35 (XLCA)	2,000,000	1,788,260

Glendale Certificates of Participation 5.00% 12/1/25 (XLCA)	1,500,000	1,500,945
Puerto Rico Public Buildings Authority Revenue (Guaranteed Government Facilities) Series M-2 5.50% 7/1/35 (AMBAC)	700,000	730,086
Westminster Building Authority Certificates of Participation 5.25% 12/1/22 (MBIA)	1,555,000	1,611,462
		5,630,753
Local General Obligation Bonds 22.77%		
Adams & Arapahoe Counties Joint School District #28J (Aurora) 5.25% 12/1/25 (MBIA)	2,000,000	2,073,100
Adams County School District #14 5.125% 12/1/31 (FSA)	500,000	505,720
Arapahoe County Water & Wastewater Public Improvement District Refunding Series A 5.125% 12/1/32 (MBIA)	1,000,000	999,230
Bowles Metropolitan District Refunding 5.00% 12/1/33 (FSA)	2,000,000	1,982,720
Centennial Downs Metropolitan District Refunding 5.00% 12/1/28 (AMBAC)	1,000,000	1,004,430
Denver City & County Justice System 5.25% 8/1/17	4,000,000	4,495,760
Douglas County School District #Re-1 (Douglas & Elbert Counties) 5.00% 12/15/21 (MBIA)	1,000,000	1,027,780
Garfield County School District #Re-2 5.00% 12/1/25 (FSA)	1,000,000	1,026,820
Green Valley Ranch Metropolitan District Refunding 5.75% 12/1/19 (AMBAC)	1,000,000	1,033,190
Sand Creek Metropolitan District Refunding & Improvement 5.00% 12/1/31 (XLCA)	500,000	465,845
Weld County School District #Re-4 5.00% 12/1/18 (FSA)	1,000,000	1,091,450
		15,706,045
§Pre-Refunded Bonds 60.15%		
Auraria Higher Education Center Parking Facilities System 5.50% 4/1/26-10 (AMBAC)	2,485,000	2,639,816
Aurora Certificates of Participation 5.50% 12/1/30-10 (AMBAC)	2,000,000	2,155,280
Burlingame Multifamily Housing Revenue Series A 6.00% 11/1/29-09 (MBIA)	2,290,000	2,453,712
Colorado Educational & Cultural		

Facilities Authority		
(University of Colorado		
Foundation Project)		
5.00% 7/1/27-12 (AMBAC)	4,000,000	4,335,920
(University of Denver Project)		
Refunding & Improvement		
5.50% 3/1/21-11 (AMBAC)	3,200,000	3,462,624
Series B 5.25% 3/1/35-16 (FGIC)	1,500,000	1,684,725
Colorado Water Resources & Power		
Development Authority Revenue		
Series A 5.80% 11/1/20-10 (FGIC)	1,220,000	1,322,663
Denver City & County Excise		
Tax Revenue (Colorado		
Convention Center Project)		
5.00% 9/1/20-11 (FSA)	3,500,000	3,738,350
Denver Convention Center Hotel		
Authority Series A		
5.00% 12/1/33-13 (XLCA)	3,000,000	3,269,100

(continues)

Statements of net assets

Delaware Investments Colorado Municipal Income Fund, Inc.

	Principal Amount	Value
Municipal Bonds (continued)		
§Pre-Refunded Bonds (continued)		
E-470 Public Highway Authority Series A		
5.75% 9/1/29-10 (MBIA)	$3,000,000	$ 3,281,310
5.75% 9/1/35-10 (MBIA)	1,700,000	1,859,409
Eagle County Certificates of Participation		
5.40% 12/1/18-09 (MBIA)	1,000,000	1,064,270
Garfield Pitkin & Eagle County		
School District #Re-1 (Roaring		
Fork County) Series A		
5.00% 12/15/27-14 (FSA)	1,500,000	1,657,515
Northwest Parkway Public		
Highway Authority Series A		
5.25% 6/15/41-11 (FSA)	4,150,000	4,505,820
Pueblo County (Library District Project)		
5.80% 11/1/19-09 (AMBAC)	1,395,000	1,477,570
Puerto Rico Electric Power Authority		
Series RR 5.00% 7/1/35-15 (FGIC)	1,000,000	1,110,470
Puerto Rico Highway & Transportation		
Authority Series K		
5.00% 7/1/40-15	500,000	555,235
Weld & Adams Counties School District		

#Re-3J 5.00% 12/15/24-14 (FSA)	830,000	917,158
		41,490,947
Special Tax Revenue Bonds 11.38%		
Broomfield Sales & Use Tax Revenue		
Refunding & Improvement Series A		
5.00% 12/1/31 (AMBAC)	650,000	641,960
Golden Sales & Use Tax Revenue		
Improvement Series B		
5.10% 12/1/20 (AMBAC)	1,000,000	1,026,130
Gypsum Sales Tax & General		
Funding Revenue		
5.25% 6/1/30 (Assured Gty)	1,000,000	1,079,750
Regional Transportation		
District Sales Tax Revenue		
(Fastracks Project) Series A		
4.375% 11/1/31 (AMBAC)	1,250,000	1,124,863
4.50% 11/1/36 (FSA)	3,000,000	2,739,000
Westminster Special Purpose Sales		
& Use Tax Revenue Post Project		
Series D 5.00%12/1/22 (FSA)	1,180,000	1,234,244
		7,845,947
State General Obligation Bond 3.50%		
Puerto Rico Commonwealth		
Refunding (Public Improvement)		
Series A 5.50% 7/1/19 (MBIA)	2,250,000	2,416,905
		2,416,905
Transportation Revenue Bond 1.43%		
Denver City & County Airport		
Revenue Series A		
5.00% 11/15/25 (FGIC)	1,000,000	983,840
		983,840
Water & Sewer Revenue Bonds 12.24%		
Aurora Water Improvement		
Revenue First Lien Series A		
5.00% 8/1/32 (AMBAC)	750,000	751,613
Colorado Water Resources & Power		
Development Authority Revenue		
Un-Refunded Balance Series A		
5.80% 11/1/20 (FGIC)	780,000	813,774
Colorado Water Resources & Power		
Development Authority Water		
Resources Revenue (Parker Water		
& Sanitation District) Series D		
5.125% 9/1/34 (MBIA)	1,500,000	1,501,155
5.25% 9/1/43 (MBIA)	2,000,000	2,008,660
Lafayette Water Revenue		
5.00% 12/1/27 (MBIA)	1,100,000	1,105,313
Ute Water Conservancy District		
Revenue 5.75% 6/15/20 (MBIA)	2,155,000	2,263,504
		8,444,019
Total Municipal Bonds		

(cost $105,000,280)		**106,943,966**
•Short-Term Investment 1.36%		
Variable Rate Demand Note 1.36%		
Colorado Health Facilities Authority Revenue (Sisters Charity Health Systems) Series B 2.10% 12/1/38	940,000	940,000
Total Short-Term Investment		
(cost $940,000)		**940,000**
Total Value of Securities 156.41%		
(cost $105,940,280)		**107,883,966**
Receivables and Other Assets		
Net of Liabilities 1.58%		**1,089,134**
Liquidation Value of Preferred Stock (57.99%)		**(40,000,000)**
Net Assets Applicable to 4,837,100		
Shares Outstanding 100.00%		**$ 68,973,100**
Net Asset Value Per Common Share		
($68,973,100 / 4,837,100 Shares)		$14.26

Components of Net Assets at March 31, 2008	
Common stock, $0.01 par value, 200 million shares authorized to the Fund	$67,238,110
Undistributed net investment income	37,773
Accumulated net realized loss on investments	(246,469)
Net unrealized appreciation of investments	1,943,686
Total net assets	$68,973,100

§Pre-Refunded Bonds. Municipals 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 8 in Notes to financial statements.

•Variable rate security. The rate shown is the rate as of March 31, 2008.

Summary of Abbreviations:
AMBAC Insured by the AMBAC Assurance Corporation
Assured Gty Insured by the Assured Guaranty Corporation
CIFG CDC IXIS Financial Guaranty
FGIC Insured by the Financial Guaranty Insurance Company
FSA Insured by Financial Security Assurance
GNMA Insured by Government National Mortgage Association
MBIA Insured by the Municipal Bond Insurance Association
XLCA Insured by XL Capital Assurance

See accompanying notes

Statements of net assets

Delaware Investments Minnesota Municipal Income Fund II, Inc.

March 31, 2008

	Principal Amount	Value
Municipal Bonds 160.05%		
Corporate-Backed Revenue Bonds 6.36%		
Anoka County Solid Waste Disposal (National Rural Utility) Series A 6.95% 12/1/08 (AMT)	$ 155,000	$ 155,634
Cloquet Pollution Control Revenue Refunding (Potlatch Project) 5.90% 10/1/26	5,500,000	5,273,785
Laurentian Energy Authority I Cogeneration Revenue Series A 5.00% 12/1/21	3,325,000	3,183,422
Minneapolis Community Development Agency Supported (Limited Tax Common Bond Fund) Series A 6.75% 12/1/25 (AMT)	865,000	903,224
Sartell Environmental Improvement Revenue Refunding (International Paper) Series A 5.20% 6/1/27	1,000,000	868,760
		10,384,825
Education Revenue Bonds 6.67%		
Duluth Independent School District #709 Revenue Certificates of Participation Series A 4.25% 2/1/20 (FSA)	2,000,000	2,010,940
Minnesota State Higher Education Facilities Authority Revenue		
(Augsburg College) Series 6-J1 5.00% 5/1/28	1,500,000	1,398,555
(College of St. Benedict) Series 5-W		
5.00% 3/1/20	2,000,000	1,976,060
5.25% 3/1/24	300,000	293,499
(St. Catherine College) Series 5-N1 5.375% 10/1/32	1,500,000	1,422,795
(St. Mary's University) Series 5-U 4.80% 10/1/23	1,400,000	1,319,290
(St. Thomas University) Series 5-Y 5.00% 10/1/24	1,000,000	997,770
St. Cloud Housing & Redevelopment Authority Revenue (State		

University Foundation Project)		
5.00% 5/1/23	1,000,000	1,017,680
University of the Virgin Islands		
Series A 5.375% 6/1/34	500,000	462,365
		10,898,954
Electric Revenue Bonds 21.46%		
Chaska Electric Revenue Refunding		
(Generating Facilities) Series A		
5.25% 10/1/25	250,000	250,768
Minnesota State Municipal Power		
Agency Electric Revenue Series A		
5.00% 10/1/34	6,500,000	6,250,920
5.25% 10/1/19	1,610,000	1,672,806
Southern Minnesota Municipal Power		
Agency Supply		
System Revenue		
&[1]5.25% 1/1/14 (AMBAC)	14,000,000	15,227,310
&[2]5.25% 1/1/15 (AMBAC)	3,000,000	3,279,075
Series A 5.25% 1/1/16 (AMBAC)	1,500,000	1,641,570
Western Minnesota Municipal Power		
Agency Supply Revenue Series A		
5.00% 1/1/30 (MBIA)	6,790,000	6,727,260
		35,049,709
Escrowed to Maturity Bonds 17.50%		
Dakota Washington Counties Housing		
& Redevelopment Authority		
Revenue (Bloomington Single		
Family Residential Mortgage)		
8.375% 9/1/21 (GNMA) (FHA)		
(VA) (AMT)	8,055,000	11,307,448
Southern Minnesota Municipal Power		
Agency Supply System Revenue		
Series B		
5.75% 1/1/11 (FGIC)	770,000	802,694
Refunding 5.50% 1/1/15 (AMBAC)	390,000	414,917
St. Paul Housing & Redevelopment		
Authority Sales Tax (Civic		
Center Project)		
5.55% 11/1/23	2,300,000	2,421,831
5.55% 11/1/23 (MBIA)	4,200,000	4,422,474
University of Minnesota Hospital &		
Clinics 6.75% 12/1/16	2,580,000	3,049,302
University of Minnesota Series A		
5.50% 7/1/21	4,000,000	4,391,480
Western Minnesota Municipal Power		
Agency Supply Revenue Series A		
6.625% 1/1/16	1,535,000	1,761,766
		28,571,912
Health Care Revenue Bonds 17.46%		
Bemidji Health Care Facilities First		
Mortgage Revenue		

(North Country Health Services)		
5.00% 9/1/24 (RADIAN)	1,500,000	1,485,030
Glencoe Health Care Facilities		
Revenue (Glencoe Regional Health		
Services Project) 5.00% 4/1/25	2,000,000	1,844,760
Maple Grove Health Care		
Facilities Revenue		
(Maple Grove Hospital)		
5.25% 5/1/37	2,000,000	1,878,180
(North Memorial Health Care)		
5.00% 9/1/29	1,515,000	1,439,477

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	Principal Amount	Value
Municipal Bonds (continued)		
Health Care Revenue Bonds (continued)		
Minneapolis Health Care System		
Revenue (Fairview Health Services)		
Series D		
5.00% 11/15/30 (AMBAC)	$1,500,000	$ 1,481,895
5.00% 11/15/34 (AMBAC)	3,250,000	3,188,835
Minnesota Agricultural & Economic		
Development Board Revenue Un-		
Refunded Balance (Fairview Health		
Care System) Series A		
5.75% 11/15/26 (MBIA)	100,000	102,121
6.375% 11/15/29	195,000	202,069
North Oaks Senior Housing		
Revenue (Presbyterian Homes)		
6.25% 10/1/47	1,500,000	1,471,140
Northfield Hospital Revenue		
5.375% 11/1/31	750,000	687,675
Rochester Health Care Facilities		
Revenue (Mayo Foundation)		
Series B 5.50% 11/15/27	4,365,000	4,416,770
Shakopee Health Care Facilities		
Revenue (St. Francis Regional		
Medical Center) 5.25% 9/1/34	1,560,000	1,442,672
St. Paul Housing & Redevelopment		
Authority Health Care		
Facilities Revenue		
(Allina Health System) Series A		
5.00% 11/15/18 (MBIA)	2,380,000	2,511,566
(HealthPartners Obligation Group		
Project) 5.25% 5/15/36	2,000,000	1,770,160
(Regions Hospital Project)		
5.30% 5/15/28	1,000,000	932,470
St. Paul Housing & Redevelopment		
Authority Revenue (Franciscan		
Health Project-Elderly)		

5.40% 11/20/42 (GNMA) (FHA)	2,700,000	2,695,599
Winona Health Care Facilities Revenue Refunding (Winona Health Obligation Group) 5.00% 7/1/23	1,010,000	969,307
		28,519,726
Housing Revenue Bonds 8.73%		
Chanhassen Multifamily Housing Revenue Refunding (Heritage Park Apartments Project) 6.20% 7/1/30 (FHA) (AMT) (HUD Section 8)	1,105,000	1,109,685
Dakota County Housing & Redevelopment Authority Single Family Mortgage Revenue 5.85% 10/1/30 (GNMA) (FNMA) (AMT)	11,000	11,006
Harmony Multifamily Housing Revenue (Zedakah Foundation Project) Series A 5.95% 9/1/20 (HUD Section 8)	1,000,000	921,160
Minneapolis Multifamily Housing Revenue		
•(Gaar Scott Loft Project) 5.95% 5/1/30 (AMT) (LOC — U.S Bank N.A)	940,000	961,526
(Olson Townhomes Project) 6.00% 12/1/19 (AMT)	845,000	845,507
(Seward Towers Project) 5.00% 5/20/36 (GNMA)	2,000,000	1,898,640
(Sumner Housing Project) Series A 5.15% 2/20/45 (GNMA) (AMT)	3,575,000	3,205,381
Minnesota State Housing Finance Agency Revenue		
(Rental Housing)		
Series A 5.00% 2/1/35 (AMT)	1,000,000	910,680
Series D 5.95% 2/1/18 (MBIA)	130,000	130,355
(Residential Housing)		
Series B-1 5.35% 1/1/33 (AMT)	1,770,000	1,690,456
Series I 5.15% 7/1/38 (AMT)	1,000,000	921,040
(Single Family Mortgage) Series J 5.90% 7/1/28 (AMT)	965,000	967,567
Washington County Housing & Redevelopment Authority Revenue Refunding (Woodland Park Apartments Project) 4.70% 10/1/32	750,000	686,168
		14,259,171
Lease Revenue Bonds — 9.53%		
Puerto Rico Public Buildings Authority Revenue Un-Refunded Balance (Guaranteed Government Facilities Bonds) Series D 5.25% 7/1/27	530,000	513,729
St. Paul Port Authority Lease Revenue		

(Cedar Street Office		
Building Project)		
5.00% 12/1/22	2,385,000	2,470,788
5.25% 12/1/27	4,800,000	4,868,976
Series 3-12 5.125% 12/1/27	1,000,000	1,010,950
(Robert Street Office		
Building Project)		
Series 3-11 5.00% 12/1/27	3,045,000	3,076,211
Series 9 5.25% 12/1/27	2,000,000	2,035,420
Virginia Housing & Redevelopment		
Authority Health Care Facility		
Lease Revenue		
5.25% 10/1/25	680,000	663,286
5.375% 10/1/30	965,000	923,158
		15,562,518

(continues)

Statements of net assets

Delaware Investments Minnesota Municipal Income Fund II, Inc.

	Principal Amount	Value
Municipal Bonds (continued)		
Local General Obligation Bonds 20.05%		
Dakota County Community		
Development Agency		
Governmental Housing Refunding		
(Senior Housing Facilities) Series A		
5.00% 1/1/23	$1,100,000	$ 1,128,413
Farmington Independent School		
District #192		
Series A 5.00% 2/1/23 (FSA)	2,280,000	2,337,593
Series B 5.00% 2/1/27 (FSA)	1,500,000	1,523,310
Hennepin County Regional Railroad		
Authority 5.00% 12/1/26	3,500,000	3,516,239
Hennepin County Series B		
5.00% 12/1/18	2,300,000	2,378,407
Lakeville Independent School		
District #194 Series A		
4.75% 2/1/22 (FSA)	2,000,000	2,032,680
Metropolitan Council Minneapolis/		
St. Paul Metropolitan Area Waste		
Water Treatment Series B		
4.375% 12/1/27	1,500,000	1,408,440
5.00% 12/1/21	2,000,000	2,102,640
Minneapolis Refunding (Sports Arena		
Project) 5.125% 10/1/20	750,000	750,983
Minneapolis Special School District		
#001 5.00% 2/1/19 (FSA)	1,175,000	1,229,003
Moorhead Economic Development		
Authority Tax Increment Series A		

5.25% 2/1/25 (MBIA)	1,000,000	1,030,110
Moorhead Improvement Series B 5.00% 2/1/33 (MBIA)	3,250,000	3,253,022
Mounds View Independent School District #621 Series A 5.00% 2/1/23 (FSA)	2,020,000	2,071,510
Princeton Independent School District Refunding #477 Series A 5.00% 2/1/24 (FSA)	1,000,000	1,026,110
Robbinsdale Independent School District #281 5.00% 2/1/21 (FSA)	500,000	516,215
Washington County Housing & Redevelopment Authority Refunding Series B		
5.50% 2/1/22 (MBIA)	1,705,000	1,754,019
5.50% 2/1/32 (MBIA)	2,140,000	2,166,322
Willmar (Rice Memorial Hospital Project) 5.00% 2/1/32 (FSA)	2,500,000	2,512,600
		32,737,616
§Pre-Refunded Bonds 32.93%		
Andover Economic Development Authority Public Facilities Lease Revenue (Andover Community Center)		
5.125% 2/1/24-14	500,000	537,405
5.20% 2/1/29-14	1,000,000	1,078,710
Centennial Independent School District #012 Series A 5.00% 2/1/20-12 (FSA)	800,000	854,504
Chaska Electric Revenue Series A 6.00% 10/1/25-10	1,000,000	1,082,920
Duluth Economic Development Authority Health Care Facilities Revenue (Benedictine Health System-St. Mary's Hospital) 5.25% 2/15/33-14	5,000,000	5,553,050
Elk River Independent School District #728 Series A 5.00% 2/1/16-14 (FGIC)	1,500,000	1,625,415
Metropolitan Council Minneapolis/ St. Paul Metropolitan Area Waste Water Treatment Series C 5.00% 2/1/22-11	1,000,000	1,059,660
Minneapolis Community Development Agency (Limited Tax Common Bond Fund)		
Series G-1 5.70% 12/1/19-11	1,100,000	1,195,700
Series G-3 5.45% 12/1/31-11	1,000,000	1,090,420
Minneapolis Health Care System Revenue		
(Allina Health Systems) Series A 5.75% 11/15/32-12	3,200,000	3,573,824
(Fairview Health Services) Series A 5.625% 5/15/32-12	2,750,000	3,051,043
Minneapolis/St. Paul Metropolitan Airports Commission Revenue		

Series A 5.125% 1/1/25-09 (FGIC)	900,000	930,528
Series C 5.25% 1/1/32-11 (FGIC)	6,000,000	6,433,140
Minnesota Agricultural & Economic Development Board Revenue (Fairview Health Care System) Series A 6.375% 11/15/29-10	6,105,000	6,765,378
Morris Independent School District #769 5.00% 2/1/28-13 (MBIA)	3,750,000	4,026,075
Puerto Rico Commonwealth Highway & Transportation Authority Revenue Series D 5.25% 7/1/38-12	1,000,000	1,083,080
Puerto Rico Commonwealth Public Improvement Revenue Series A 5.00% 7/1/27-12	1,250,000	1,356,025
Puerto Rico Public Buildings Authority Revenue (Guaranteed Government Facilities) Series D 5.25% 7/1/27-12	1,470,000	1,577,001
Rochester Electric Utility Revenue 5.25% 12/1/30-10 (AMBAC)	600,000	643,218
Southern Minnesota Municipal Power Agency Supply Revenue Refunding Series A 5.75% 1/1/18-13	3,715,000	4,029,883

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	Principal Amount	Value
Municipal Bonds (continued)		
§Pre-Refunded Bonds (continued)		
St. Louis Park Health Care Facilities Revenue (Park Nicollet Health Services) Series B 5.25% 7/1/30-14	$1,250,000	$ 1,395,175
St. Michael Independent School District #885		
5.00% 2/1/22-12 (FSA)	2,000,000	2,136,260
5.00% 2/1/24-12 (FSA)	1,125,000	1,201,646
Waconia Health Care Facilities Revenue (Ridgeview Medical Center Project) Series A 6.10% 1/1/19-10 (RADIAN)	1,405,000	1,496,128
		53,776,188
Special Tax Revenue Bonds 5.74%		
Hennepin County Sales Tax 5.00% 12/15/24	2,315,000	2,401,373
Minneapolis Art Center Facilities Revenue (Walker Art Center Project) 5.125% 7/1/21	4,250,000	4,355,654
Minneapolis Community Development Agency Supported Common Bond Fund Series 5		

5.70% 12/1/27	375,000	375,668
Minneapolis Development Revenue		
(Limited Tax Supported		
Common Bond Fund) Series1		
5.50% 12/1/24 (AMT)	1,000,000	1,010,470
Puerto Rico Commonwealth		
Infrastructure Financing Authority		
Special Tax Revenue Series B		
5.00% 7/1/46	800,000	725,512
Virgin Islands Public Finance Authority		
Revenue (Senior Lien Matching		
Fund Loan Notes) Series A		
5.25% 10/1/23	500,000	497,380
		9,366,057
State General Obligation Bonds 5.92%		
Minnesota State 5.00% 8/1/21	5,025,000	5,210,674
Puerto Rico Commonwealth Public		
Improvement Series A		
5.25% 7/1/15	1,100,000	1,164,075
5.50% 7/1/17	1,100,000	1,171,258
Refunding 5.50% 7/1/19 (MBIA)	1,000,000	1,074,180
Puerto Rico Government		
Development Bank Senior Notes		
Series B 5.00% 12/1/14	1,000,000	1,048,170
		9,668,357
Transportation Revenue Bonds 7.70%		
Minneapolis/St. Paul Metropolitan		
Airports Commission Revenue		
Series A		
5.00% 1/1/22 (MBIA)	3,000,000	3,044,070
5.00% 1/1/28 (MBIA)	2,120,000	2,119,830
5.25% 1/1/16 (MBIA)	1,000,000	1,058,850
Series B		
5.00% 1/1/35 (AMBAC)	2,000,000	1,970,820
5.25% 1/1/24 (FGIC) (AMT)	1,000,000	975,850
St. Paul Housing & Redevelopment		
Authority Parking Revenue		
(Block 19 Ramp Project) Series A		
5.35% 8/1/29 (FSA)	3,350,000	3,404,572
		12,573,992
Total Municipal Bonds		
(cost $256,826,772)		**261,369,025**
•Short-Term Investment 0.29%		
Variable Rate Demand Note 0.29%		
University of Minnesota Series A		
2.08% 1/1/34		
(SPA Landesbank Hessen)	480,000	480,000
Total Short-Term Investment		
(cost $480,000)		**480,000**
Total Value of Securities 160.34%		
(cost $257,306,772)		**261,849,025**
Liabilities Net of Receivables and		
Other Assets (2.17%)*		**(3,544,171)**

Liquidation Value of Preferred Stock (58.17%)	**(95,000,000)**
Net Assets Applicable to 11,504,975 Shares	
Outstanding 100.00%	**$163,304,854**
Net Asset Value Per Common Share	
($163,304,854 / 11,504,975 Shares)	$14.19
Components of Net Assets at March 31, 2008:	
Common stock, $0.01 par value, 200 million shares	
authorized to the Fund	$158,750,422
Distributions in excess of net investment income	(58,932)
Accumulated net realized gain on investments	71,111
Net unrealized appreciation of investments	4,542,253
Total net assets	$163,304,854

&[1]Security held in a trust in connection with the Inverse Floater security $7,000,000, 5.52%, 1/1/14.

&[2]Security held in a trust in connection with the Inverse Floater security $1,500,000, 5.52%, 1/1/15.

§Pre-Refunded bonds. Municipals 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 8 in Notes to financial statements.

•Variable rate security. The rate shown is the rate as of March 31, 2008.

*Includes $8,500,000 in liability for Inverse Floater programs. See Note 7 in Notes to financial statements.

Statements of net assets

Delaware Investments Minnesota Municipal Income Fund II, Inc.

For additional information on the Inverse Floater programs, see Note 7 in Notes to financial statements.

Summary of Abbreviations:
AMBAC Insured by the AMBAC Assurance Corporation
AMT Subject to Alternative Minimum Tax
FGIC Insured by the Financial Guaranty Insurance Company
FHA Insured by the Federal Housing Administration
FNMA Insured by Federal National Mortgage Association
FSA Insured by Financial Security Assurance
GNMA Insured by Government National Mortgage Association
HUD Housing and Urban Development
LOC Letter of Credit
MBIA Insured by the Municipal Bond Insurance Association
RADIAN Insured by Radian Asset Assurance
SPA Stand-by Purchase Agreement
VA Insured by the Veterans Administration

See accompanying notes

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Delaware Investments National Municipal Income Fund

March 31, 2008

	Principal Amount	Value
Municipal Bonds 155.34%		
Corporate-Backed Revenue Bonds 3.07%		
Chesapeake, Virginia Economic Development Authority Pollution Control (Virginia Electric & Power Company Project) Series A 3.60% 2/1/32	$ 500,000	$ 488,560
Iowa Finance Authority Pollution Control Facilities Revenue Refunding (Interstate Power) 5.00% 7/1/14 (FGIC)	500,000	503,695
		992,255
Education Revenue Bond 3.87%		
Florida Agriculture & Mechanical University Revenue (Student Apartment Facility) 5.625% 7/1/21 (MBIA)	1,250,000	1,252,025
		1,252,025
Electric Revenue Bond 3.07%		
JEA Florida Electric Systems Revenue Series 3-A 5.00% 10/1/34 (FSA)	1,000,000	992,740
		992,740
Health Care Revenue Bonds 21.87%		
Albany, New York Industrial Development Agency Civic Facility Revenue (St. Peter's Hospital Project) Series A 5.25% 11/15/32	500,000	463,535
Allegheny County, Pennsylvania Hospital Development Authority Revenue (University of Pittsburgh Medical Center) Series A 5.00% 9/1/14	500,000	528,905
Escambia County, Florida Health Facilities Authority (VHA Program) 5.95% 7/1/20 (AMBAC)	355,000	374,582
Lee Memorial Health System Board of Directors Refunding Series A 5.00% 4/1/20 (FSA)	1,000,000	1,019,880
Miami-Dade County, Florida Public Facilities Revenue (Jackson Health Systems) Series A 5.00% 6/1/35 (MBIA)	1,500,000	1,467,180

Orange County, Florida Health Facilities Authority Revenue (Orlando Regional Healthcare) Series A 6.25% 10/1/18 (MBIA)	2,000,000	2,252,300
South Broward Hospital District, Florida Revenue Refunding 5.00% 5/1/35 (MBIA)	1,000,000	972,060
		7,078,442
Housing Revenue Bonds 16.12%		
Broward County, Florida Housing Finance Authority (St. Croix Apartments Project) Series A 5.45% 11/1/36 (FSA) (AMT)	925,000	889,998
Florida Housing Finance Agency		
(Homeowner Mortgage) Series 2 5.90% 7/1/29 (MBIA) (AMT)	355,000	363,871
(Leigh Meadows Apartments) Series N 6.30% 9/1/36 (AMBAC) (AMT) (HUD Section 8)	2,510,000	2,513,891
Volusia County, Florida Multifamily Housing Finance Authority (San Marco Apartments) Series A 5.60% 1/1/44 (FSA) (AMT)	1,500,000	1,448,700
		5,216,460
Lease Revenue Bonds 17.80%		
Broward County, Florida School Board Certificates of Participation Series A 5.25% 7/1/24 (FSA)	1,000,000	1,027,560
Florida State Municipal Loan Council Revenue Series A 5.00% 2/1/35 (MBIA)	2,000,000	1,979,460
Orange County, Florida School Board Certificates of Participation Series A 5.00% 8/1/27 (MBIA)	1,250,000	1,252,813
Palm Beach County, Florida School Board Certificates of Participation Series D 5.00% 8/1/28 (FSA)	1,500,000	1,501,050
		5,760,883
Local General Obligation Bonds 6.65%		
Denver, Colorado City & County Justice System 5.00% 8/1/23	1,000,000	1,045,950
Harris County, Texas Flood Control District Refunding Series A 5.25% 10/1/18	1,000,000	1,107,220
		2,153,170
§Pre-Refunded Bonds 11.74%		
Florida State Board of Education (Capital Outlay Public Education) Series C 6.00% 6/1/21-10 (FGIC)	2,000,000	2,173,820
Puerto Rico Commonwealth Highway & Transportation Authority Revenue Series K 5.00% 7/1/40-15	500,000	555,235
Tampa, Florida Utility Tax		

Improvement Series A 6.125% 10/1/19-09 (AMBAC)	1,000,000	1,071,680
		3,800,735
Special Tax Revenue Bonds 27.00%		
Flagler County, Florida Capital Improvement Revenue 5.00% 10/1/35 (MBIA)	1,000,000	986,760
Florida State Department of Transportation (Right of Way) 5.00% 7/1/31 (FGIC)	1,525,000	1,514,523
Jacksonville, Florida Sales Tax Revenue (Better Jacksonville) 5.00% 10/1/30 (MBIA)	1,500,000	1,489,980

Statements of net assets

Delaware Investments National Municipal Income Fund

	Principal Amount	Value
Municipal Bonds (continued)		
Special Tax Revenue Bonds (continued)		
Jacksonville, Florida Transportation Revenue 5.25% 10/1/29 (MBIA)	$2,000,000	$ 2,015,880
ΩMiami-Dade County, Florida Special Obligation (Capital Appreciation & Income) Series B 5.00% 10/1/35 (MBIA)	2,000,000	1,743,920
Seminole County, Florida Sales Tax Revenue Series A 5.00% 10/1/31 (MBIA)	1,000,000	987,750
		8,738,813
State General Obligation Bond 4.15%		
Puerto Rico Commonwealth Refunding (Public Improvement) Series A 5.50% 7/1/19 (MBIA)	1,250,000	1,342,725
		1,342,725
Transportation Revenue Bonds 19.74%		
Florida Ports Financing Commission Revenue (State Transportation Trust Fund) 5.375% 6/1/27 (MBIA) (AMT)	1,000,000	982,900
Miami-Dade County, Florida Aviation Revenue (Miami International Airport) Series B 5.00% 10/1/37 (FGIC)	2,250,000	2,162,834
Miami-Dade County, Florida Expressway Authority Toll Systems Revenue		

5.00% 7/1/37 (AMBAC)	1,000,000	990,810
Series B 5.00% 7/1/33 (FGIC)	1,000,000	977,480
North Texas Tollway Authority		
Revenue (First Tier) Refunding		
Series A 6.00% 1/1/19	500,000	545,835
Triborough, New York Bridge &		
Tunnel Authority		
Series A 5.00% 11/15/17	325,000	357,991
•Series B-3 5.00% 11/15/38	350,000	371,956
		6,389,806
Water & Sewer Revenue Bonds 20.26%		
Cape Coral, Florida Water & Sewer Revenue 4.75% 10/1/31 (AMBAC)	1,000,000	960,320
JEA Florida Water & Sewer Systems		
Revenue Sub-Second Crossover		
Series B 5.00% 10/1/25 (MBIA)	1,000,000	1,014,400
Riviera Beach, Florida Utility Special		
District Water & Sewer Revenue		
5.00% 10/1/34 (FGIC)	1,200,000	1,188,168
Village Center Community		
Development District, Florida Utility		
Revenue 5.00% 10/1/36 (MBIA)	1,500,000	1,477,590
Winter Haven, Florida Utility System Revenue 5.00% 10/1/30 (MBIA)	1,915,000	1,918,562
		6,559,040
Total Municipal Bonds		
(cost $50,999,148)		**50,277,094**
•Short-Term Investments 5.56%		
Variable Rate Demand Notes 5.56%		
New York, New York Series H-1		
1.00% 1/1/36	1,400,000	1,400,000
Philadelphia Authority for Industrial		
Development Revenue		
(Newcourtland Elder Services		
Project) 1.70% 3/1/27		
(LOC PNC Bank N.A)	400,000	400,000
Total Short-Term Investments		
(cost $1,800,000)		**1,800,000**
Total Value of Securities 160.90%		
(cost $52,799,148)		**52,077,094**
Receivables and Other Assets		
Net of Liabilities 0.89%		**288,399**
Liquidation Value of Preferred Stock (61.79%)		**(20,000,000)**
Net Assets Applicable to 2,422,200		
Shares Outstanding 100.00%		**$ 32,365,493**
Net Asset Value Per Common Share		
($32,365,493 / 2,422,200 Shares)		$13.36
Components of Net Assets at March 31, 2008:		
Common stock, $0.01 par value, unlimited shares		
authorized to the Fund		$ 33,300,621

Distributions in excess of net investment income	(12,384)
Accumulated net realized loss on investments	(200,690)
Net unrealized depreciation of investments	(722,054)
Total net assets	$ 32,365,493

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.

§Pre-Refunded bonds. Municipals 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 8 in Notes to financial statements.

•Variable rate security. The rate shown is the rate as of March 31, 2008.

Summary of Abbreviations:
AMBAC Insured by the AMBAC Assurance Corporation
AMT Subject to Alternative Minimum Tax
FGIC Insured by the Financial Guaranty Insurance Company
FSA Insured by Financial Security Assurance
HUD Housing and Urban Development
LOC Letter of Credit
MBIA Insured by the Municipal Bond Insurance Association
VHA Veterans Health Administration

See accompanying notes

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Statements of operations

Delaware Investments Closed-End Municipal Bond Funds

Year Ended March 31, 2008

	Delaware Investments Arizona Municipal Income Fund, Inc.	Delaware Investments Colorado Municipal Income Fund, Inc.	Delaware Investments Minnesota Municipal Income Fund II, Inc.	Delaware Investment National Municipal Income Fund
Investment Income:				
Interest	$ 3,156,753	$ 5,262,819	$13,045,737	$ 2,619,389
Expenses:				
Management fees	270,581	444,767	1,049,245	216,130
Interest and related expenses			332,903	
Remarketing agent fees	63,542	102,535	241,458	50,417
Accounting and administration expenses	27,111	44,564	105,128	21,656
Dividend disbursing and transfer agent fees and expenses	22,322	30,056	74,012	31,962
Audit and tax	19,825	21,230	25,644	19,423
Reports and statements to shareholders	13,497	35,240	42,071	20,000
Rating agency fees	13,425	13,729	33,025	13,428

Legal fees	6,991	11,770	24,267	8,448
Taxes (other than taxes on income)	6,000	9,218	13,499	
Pricing fees	2,926	4,637	6,737	4,400
Stock exchange fees	2,738	4,396	10,661	2,206
Directors/Trustees fees	2,126	3,243	7,935	2,339
Insurance fees	1,129	1,954	4,635	886
Consulting fees	1,102	1,460	3,014	618
Custodian fees	1,091	1,589	3,914	1,091
Dues and services	597	1,879	1,868	841
Registration fees	360	360	360	360
Directors/Trustees expenses	261	147	943	192
	455,624	732,774	1,981,319	394,397
Less expense paid indirectly	(1,064)	(1,545)	(3,198)	(937
Total operating expenses	454,560	731,229	1,978,121	393,460
Net Investment Income	2,702,193	4,531,590	11,067,616	2,225,929
Net Realized and Unrealized Gain (Loss) on Investments:				
Net realized gain (loss) on investments	(28,897)	258,749	95,113	(200,690
Net change in unrealized appreciation/depreciation of investments	(2,303,717)	(3,201,151)	(7,753,436)	(2,402,718
Net Realized and Unrealized Loss on Investments	(2,332,614)	(2,942,402)	(7,658,323)	(2,603,408
Dividends on Preferred Stock	(999,630)	(1,516,756)	(3,654,473)	(789,957
Net Increase (Decrease) in Net Assets Resulting from Operations	$ (630,051)	$ 72,432	$ (245,180)	$(1,167,436

See accompanying notes

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Statements of changes in net assets

Delaware Investments Closed-End Municipal Bond Funds

	Delaware Investments Arizona Municipal Income Fund, Inc.		Delaware Investments Colorado Municipal Income Fund, Inc.	
	Year Ended		Year Ended	
	3/31/08	3/31/07	3/31/08	3/31/07
Increase (Decrease) in Net Assets from Operations:				
Net investment income	$ 2,702,193	$ 2,779,422	$ 4,531,590	$ 4,763,20
Net realized gain (loss) on investments	(28,897)	387,724	258,749	607,66
Net change in unrealized appreciation/depreciation of investments	(2,303,717)	82,776	(3,201,151)	(275,52
Dividends on preferred stock	(999,630)	(925,058)	(1,516,756)	(1,417,50
Net increase (decrease) in net assets resulting from operations	(630,051)	2,324,864	72,432	3,677,84
Dividends and Distributions to Common Shareholders from:				
Net investment income	(1,819,142)	(2,236,650)	(3,482,712)	(4,111,53
Net realized gain on investments	(172,967)	(95,430)	(672,357)	(343,43
	(1,992,109)	(2,332,080)	(4,155,069)	(4,454,96
Net Decrease in Net Assets	(2,622,160)	(7,216)	(4,082,637)	(777,12

Net Assets:				
Beginning of year	43,916,133	43,923,349	73,055,737	73,832,86
End of year	$ 41,293,973	$ 43,916,133	$ 68,973,100	$ 73,055,73
Undistributed (distributions in excess of) net investment income	$ (15,481)	$ —	$ 37,773	$ 264,78

	Delaware Investments Minnesota Municipal Income Fund II, Inc.		Delaware Investments National Municipal Income Fund	
	Year Ended		Year Ended	
	3/31/08	3/31/07	3/31/08	3/31/07
Increase (Decrease) in Net Assets from Operations:				
Net investment income	$ 11,067,616	$ 11,084,468	$ 2,225,929	$ 2,325,69
Net realized gain (loss) on investments	95,113	159,043	(200,690)	243,90
Net change in unrealized appreciation/depreciation of investments	(7,753,436)	2,367,602	(2,402,718)	79,27
Dividends on preferred stock	(3,654,473)	(3,434,732)	(789,957)	(733,83
Net increase (decrease) in net assets resulting from operations	(245,180)	10,176,381	(1,167,436)	1,915,03
Dividends and Distributions to Common Shareholders from:				
Net investment income	(7,593,284)	(8,513,682)	(1,616,819)	(1,986,20
Net realized gain on investments	—	—	106,577)	(164,71
	(7,593,284)	(8,513,682)	(1,723,396)	(2,150,91
Net Increase (Decrease) in Net Assets	(7,838,464)	1,662,699	(2,890,832)	(235,88
Net Assets:				
Beginning of year	171,143,318	169,480,619	35,256,325	35,492,20
End of year	$ 163,304,854	$ 171,143,318	$ 32,365,493	$ 35,256,32
Undistributed (distributions in excess of) net investment income	$ (58,932)	$ 93,893	$ (12,384)	$ 71,82

See accompanying notes

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Financial highlights

Delaware Investments Arizona Municipal Income Fund, Inc.

Selected data for each share of the Fund outstanding throughout each period were as follows:

	Year Ended				
	3/31/08	3/31/07	3/31/06	3/31/05	3/31/0
Net asset value, beginning of period	$14.730	$14.730	$15.070	$15.570	$15.4

Income (loss) from investment operations:					
Net investment income	0.906	0.932	0.951	0.956	1.0
Net realized and unrealized gain (loss) on investments	(0.783)	0.160	(0.177)	(0.332)	0.2
Dividends on preferred stock from:					
Net investment income	(0.312)	(0.297)	(0.232)	(0.118)	(0.0
Net realized gain on investments	(0.023)	(0.013)	(0.002)	(0.003)	(0.0
Total dividends on preferred stock	(0.335)	(0.310)	(0.234)	(0.121)	(0.0
Total from investment operations	(0.212)	0.782	0.540	0.503	1.2
Less dividends and distributions to common shareholders from:					
Net investment income	(0.610)	(0.750)	(0.860)	(0.960)	(0.9
Net realized gain on investments	(0.058)	(0.032)	(0.020)	(0.043)	(0.1
Total dividends and distributions	(0.668)	(0.782)	(0.880)	(1.003)	(1.1
Net asset value, end of period	$13.850	$14.730	$14.730	$15.070	$15.5
Market value, end of period	$12.390	$14.790	$15.980	$15.390	$16.5
Total investment return based on:[1]					
Market value	(11.86%)	(2.58%)	9.74%	(0.78%)	14.6
Net asset value	(1.08%)	5.26%	3.31%	3.34%	7.8
Ratios and supplemental data:					
Net assets applicable to common shares, end of period (000 omitted)	$41,294	$43,916	$43,923	$44,936	$46,4
Ratio of expenses to average net assets applicable to common shares[2]	1.07%	1.05%	1.03%	1.18%	1.0
Ratio of net investment income to average net assets applicable to common shares[2]	6.34%	6.34%	6.28%	6.34%	6.6
Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares[3]	3.99%	4.23%	4.72%	5.54%	6.0
Portfolio turnover	18%	17%	2%	8%	3
Leverage analysis:					
Value of preferred shares outstanding (000 omitted)	$25,000	$25,000	$25,000	$25,000	$25,0
Net asset coverage per share of preferred shares, end of period	$132,588	$137,832	$137,847	$139,872	$142,8
Liquidation value per share of preferred shares[4]	$50,000	$50,000	$50,000	$50,000	$50,0

[1] Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.
[2] Ratios do not reflect the effect of dividend payments to preferred shareholders.
[3] Ratio reflects total net investment income less dividends paid to preferred shareholders divided by average net assets applicable to common shareholders.
[4] Excluding any accumulated but unpaid dividends.
See accompanying notes

Financial highlights

Delaware Investments Colorado Municipal Income Fund, Inc.

Selected data for each share of the Fund outstanding throughout each period were as follows:

	Year Ended				
	3/31/08	3/31/07	3/31/06	3/31/05	3/31/0
Net asset value, beginning of period	$15.100	$15.260	$15.580	$16.110	$15.92
Income (loss) from investment operations:					
Net investment income	0.937	0.985	1.018	1.019	1.04
Net realized and unrealized gain (loss) on investments	(0.604)	0.069	(0.129)	(0.432)	0.32
Dividends on preferred stock from:					
Net investment income	(0.264)	(0.274)	(0.213)	(0.124)	(0.07
Net realized gain on investments	(0.050)	(0.019)	(0.006)	(0.003)	(0.01
Total dividends on preferred stock	(0.314)	(0.293)	(0.219)	(0.127)	(0.09
Total from investment operations	0.019	0.761	0.670	0.460	1.27
Less dividends and distributions to common shareholders from:					
Net investment income	(0.720)	(0.850)	(0.960)	(0.960)	(0.96
Net realized gain on investments	(0.139)	(0.071)	(0.030)	(0.030)	(0.12
Total dividends and distributions	(0.859)	(0.921)	(0.990)	(0.990)	(1.08
Net asset value, end of period	$14.260	$15.100	$15.260	$15.580	$16.11
Market value, end of period	$15.060	$15.940	$18.650	$17.180	$16.96
Total investment return based on:[1]					
Market value	(0.14%)	(9.86%)	14.64%	7.42%	8.76
Net asset value	(0.19%)	4.35%	3.44%	2.56%	8.05
Ratios and supplemental data:					
Net assets applicable to common shares, end of period (000 omitted)	$68,973	$73,056	$73,833	$75,364	$77,90
Ratio of expenses to average net assets applicable to common shares[2]	1.03%	1.01%	0.95%	1.03%	1.01
Ratio of net investment income to average net assets applicable to common shares[2]	6.37%	6.49%	6.51%	6.51%	6.54
Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares[3]	4.23%	4.56%	5.11%	5.69%	5.98
Portfolio turnover	16%	11%	12%	5%	13
Leverage analysis:					
Value of preferred shares outstanding (000 omitted)	$40,000	$40,000	$40,000	$40,000	$40,00
Net asset coverage per share of preferred shares, end of period	$136,216	$141,320	$142,291	$144,205	$147,37
Liquidation value per share of preferred shares[4]	$50,000	$50,000	$50,000	$50,000	$50,00

[1] Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.

2 Ratios do not reflect the effect of dividend payments to preferred shareholders.
3 Ratio reflects total net investment income less dividends paid to preferred shareholders divided by average net assets applicable to common shareholders.
4 Excluding any accumulated but unpaid dividends.
See accompanying notes

Delaware Investments Minnesota Municipal Income Fund II, Inc.

Selected data for each share of the Fund outstanding throughout each period were as follows:

	Year Ended				
	3/31/08	3/31/07	3/31/06	3/31/05	3/31/0
Net asset value, beginning of period	$14.880	$14.730	$14.890	$15.280	$15.06
Income (loss) from investment operations:					
Net investment income	0.962	0.963	0.971	1.025	1.09
Net realized and unrealized gain (loss) on investments	(0.674)	0.225	0.012	(0.237)	0.20
Dividends on preferred stock from:					
Net investment income	(0.318)	(0.298)	(0.243)	(0.128)	(0.08
Total dividends on preferred stock	(0.318)	(0.298)	(0.243)	(0.128)	(0.08
Total from investment operations	(0.030)	0.890	0.740	0.660	1.21
Less dividends to common shareholders from:					
Net investment income	(0.660)	(0.740)	(0.900)	(1.050)	(0.99
Total dividends	(0.660)	(0.740)	(0.900)	(1.050)	(0.99
Net asset value, end of period	$14.190	$14.880	$14.730	$14.890	$15.28
Market value, end of period	$13.450	$14.640	$16.200	$16.370	$16.80
Total investment return based on:[1]					
Market value	(3.58%)	(5.13%)	4.73%	4.02%	16.87
Net asset value	0.08%	6.05%	4.69%	4.03%	7.99
Ratios and supplemental data:					
Net assets applicable to common shares, end of period (000 omitted)	$163,305	$171,143	$169,481	$107,958	$110,82
Ratio of expenses to average net assets applicable to common shares[2,4]	1.18%	1.20%	1.07%	1.00%	0.93
Ratio of net investment income to average net assets applicable to common shares[2]	6.61%	6.52%	6.45%	6.85%	7.23
Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares[3]	4.43%	4.50%	4.86%	6.00%	6.69
Portfolio turnover	6%	3%	8%	15%	34
Leverage analysis:					
Value of preferred shares outstanding (000 omitted)	$95,000	$95,000	$95,000	$60,000	$60,00
Net asset coverage per share of preferred shares, end of period	$135,950	$140,075	$139,200	$139,965	$142,35
Liquidation value per share of preferred shares[5]	$50,000	$50,000	$50,000	$50,000	$50,00

1 Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this

calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.

[2] Ratios do not reflect the effect of dividend payments to preferred shareholders.

[3] Ratio reflects total net investment income less dividends paid to preferred shareholders divided by average net assets applicable to common shareholders.

[4] The ratio of expenses to average net assets applicable to common shares includes interest and related expenses which include, but are not limited to, interest expense, remarketing fees, liquidity fees, and trustees' fees in connection with the Fund's participation in inverse floater programs for the years ended March 31, 2008 and 2007. See Notes 1 and 7 in "Notes to Financial Statements".

[5] Excluding any accumulated but unpaid dividends.

See accompanying notes

(continues)

Financial highlights

Delaware Investments National Municipal Income Fund

Selected data for each share of the Fund outstanding throughout each period were as follows:

	Year Ended				
	3/31/08	3/31/07	3/31/06	3/31/05	3/31/0
Net asset value, beginning of period	$14.560	$14.650	$15.340	$16.200	$16.37
Income (loss) from investment operations:					
Net investment income	0.919	0.960	1.017	1.057	1.08
Net realized and unrealized gain (loss) on investments	(1.081)	0.141	(0.236)	(0.675)	(0.13
Dividends on preferred stock from:					
Net investment income	(0.311)	(0.285)	(0.202)	(0.114)	(0.08
Net realized gain on investments	(0.015)	(0.018)	(0.055)	(0.009)	(0.00
Total dividends on preferred stock	(0.326)	(0.303)	(0.257)	(0.123)	(0.08
Total from investment operations	(0.488)	0.798	0.524	0.259	0.87
Less dividends and distributions to common shareholders from:					
Net investment income	(0.668)	(0.820)	(0.970)	(1.020)	(0.99
Net realized gain on investments	(0.044)	(0.068)	(0.244)	(0.099)	(0.04
Total dividends and distributions	(0.712)	(0.888)	(1.214)	(1.119)	(1.04
Net asset value, end of period	$13.360	$14.560	$14.650	$15.340	$16.20
Market value, end of period	$11.950	$14.530	$16.050	$15.050	$16.65
Total investment return based on:[1]					
Market value	(13.11%)	(4.12%)	14.75%	(3.02%)	18.04
Net asset value	(3.05%)	5.27%	2.76%	1.59%	5.59
Ratios and supplemental data:					
Net assets applicable to common shares, end of period (000 omitted)	$32,365	$35,256	$35,492	$37,166	$39,24
Ratio of expenses to average net assets applicable to common shares[2]	1.16%	1.10%	1.07%	1.24%	1.11
Ratio of net investment income to average net assets					

applicable to common shares[2]	6.54%	6.58%	6.70%	6.75%	6.70%
Ratio of net investment income to average net assets					
applicable to common shares net of dividends to preferred shares[3]	4.22%	4.51%	5.01%	5.97%	6.16%
Portfolio turnover	17%	9%	28%	11%	3%
Leverage analysis:					
Value of preferred shares outstanding (000 omitted)	$20,000	$20,000	$20,000	$20,000	$20,000
Net asset coverage per share of preferred shares, end of period	$130,914	$138,141	$138,731	$142,915	$148,11
Liquidation value per share of preferred shares[4]	$50,000	$50,000	$50,000	$50,000	$50,000

[1] Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.
[2] Ratios do not reflect the effect of dividend payments to preferred shareholders.
[3] Ratio reflects total net investment income less dividends paid to preferred shareholders divided by average net assets applicable to common shareholders.
[4] Excluding any accumulated but unpaid dividends.
See accompanying notes

Notes to financial statements

Delaware Investments Closed-End Municipal Bond Funds

March 31, 2008

Delaware Investments Arizona Municipal Income Fund, Inc. (Arizona Municipal Fund); Delaware Investments Colorado Municipal Income Fund, Inc. (Colorado Municipal Fund) (formerly Delaware Investments Colorado Insured Municipal Income Fund) and Delaware Investments Minnesota Municipal Income Fund II, Inc. (Minnesota Municipal Fund II) are organized as Minnesota corporations and Delaware Investments National Municipal Income Fund, (National Municipal Fund) (formerly Delaware Investments Florida Insured Municipal Income Fund) is organized as a Massachusetts Business Trust (each referred to as a Fund and collectively as the Funds). Arizona Municipal Fund, Colorado Municipal Fund, Minnesota Municipal Fund II and National Municipal Fund are considered diversified closed-end management investment companies under the Investment Company Act of 1940, as amended. The Funds' common shares trade on the American Stock Exchange. The Funds' preferred shares are traded privately through a remarketing agent.

The investment objective of each Fund is to provide high current income exempt from federal income tax and from the personal income tax of its state, if any, consistent with the preservation of capital. Each Fund, except National Municipal Income Fund, will seek to achieve its investment objective by investing substantially all of its net assets in investment grade, tax-exempt municipal obligations of its respective state.

1. Significant Accounting Policies

The following accounting policies are in accordance with U.S. generally accepted accounting principles and are consistently followed by the Funds.

Security Valuation — Long-term debt securities are valued by an independent pricing service or broker and such prices are believed to reflect the fair value of such securities. Short-term debt securities having less than 60 days to maturity are valued at amortized cost, which approximates market value. 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 each Fund's Board of

Directors/Trustees. 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, aftermarket trading or significant events after local market trading (e.g., government actions or pronouncements, trading volume or volatility on markets, exchanges among dealers, or news events).

In September 2006, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 157 Fair Value Measurements (Statement 157). Statement 157 establishes a framework for measuring fair value in generally accepted accounting principles, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. Statement 157 is intended to increase consistency and comparability among fair value estimates used in financial reporting. Statement 157 is effective for fiscal years beginning after November 15, 2007. Management does not expect the adoption of Statement 157 to have a material impact on the amounts reported in the financial statements.

Federal Income Taxes 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. Accordingly, no provision for federal income taxes has been made in the financial statements.

Effective September 30, 2007, the Funds adopted FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Funds 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 would be recorded as a tax benefit or expense in the current year. The adoption of FIN 48 did not result in the recording of any tax benefit or expense in the current period.

Use of Estimates The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Interest and Related Expenses Interest and related expenses include, but are not limited to, interest expense, remarketing fees, liquidity fees, and trustees fees from the Minnesota Municipal Fund IIs participation in inverse floater programs where the Fund has transferred its own bonds to a trust that issues floating rate securities with an aggregate principal amount equal to the principal of the transferred bonds. In conveyance of the bond, the Fund receives the inverse floating rate securities and cash from the trust. As a result of certain rights retained by the Fund, the transfer of the bond is not considered a sale, but rather a form of financing for accounting purposes whereby the cash received is recorded as a liability and interest expense is recorded based on the interest rate of the floating rate securities. Remarketing fees, liquidity fees, and trustees fees expenses are recorded on the accrual basis.

For the year ended March 31, 2008, the Minnesota Municipal Fund II had an average daily liability from the participation in inverse floater programs of $8,500,000 and recorded interest expense at an average rate of 3.91%.

Other Expenses directly attributable to a Fund are charged directly to that 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. Each Fund declares and pays dividends from net investment income monthly and distributions from net realized gain on investments, if any, annually. In addition, in

Notes to financial statements

Delaware Investments Closed-End Municipal Bond Funds

1. Significant Accounting Policies (continued)

order to satisfy certain distribution requirements of the Tax Reform Act of 1986, the Funds may declare special year-end dividend and capital gains distributions during November or December to shareholders of record on a date in such month. Such distributions, if received by shareholders by January 31, are deemed to have been paid by the Funds and received by shareholders on the earlier of the date paid or December 31 of the prior year.

The Funds receive earnings credits from their custodian when positive cash balances are maintained, which are used to offset custody fees. The expense paid under this arrangement is included in custodian fees and on the statements of operations with the corresponding expense offset shown as expense paid indirectly.

2. Investment Management, Administration Agreements and Other Transactions with Affiliates

In accordance with the terms of its respective investment management agreement, each Fund pays Delaware Management Company (DMC), a series of Delaware Management Business Trust and the investment manager, an annual fee of 0.40% which is calculated daily based on the average weekly net assets of each Fund, excluding the liquidation value of the preferred stock.

Effective October 1, 2007, Delaware Service Company, Inc. (DSC), an affiliate of DMC, provides fund accounting and financial administration oversight services to the Funds. For these services, the Funds pay DSC fees based on the aggregate daily net assets of the Delaware Investments® Family of Funds at the following annual rate: 0.005% of the first $30 billion; 0.0045% of the next $10 billion; 0.004% of the next $10 billion; and 0.0025% of aggregate average daily net assets in excess of $50 billion. The fees payable to DSC under the service agreement described above are allocated among all Funds in the Delaware Investments® Family of Funds on a relative net asset value basis. Prior to October 1, 2007, DSC provided fund accounting and administration services to the Funds and received a fee at an annual rate of 0.04% of average daily net assets excluding the liquidation value of the preferred stock. For the year ended March 31, 2008, the Funds were charged as follows:

	Arizona Municipal Fund	Colorado Municipal Fund	Minnesota Municipal Fund II	National Municipal Fund
	$15,303	$25,151	$59,204	$12,253

At March 31, 2008, each Fund had liabilities payable to affiliates as follows:

	Arizona Municipal Fund	Colorado Municipal Fund	Minnesota Municipal Fund II	National Municipal Fund
Investment management fee payable to DMC	$22,158	$36,387	$86,162	$17,469
Accounting administration and other expenses payable to DSC	6,620	17,200	26,074	5,880
Other expenses payable to DMC and affiliates*	1,576	4,747	3,793	4,540

*DMC, as part of its administrative services, pays operating expenses on behalf of each Fund and is reimbursed on a periodic basis. Such expenses include items such as printing of shareholder reports, fees for audit, legal and tax services, stock exchange fees, custodian fees and directors/trustees fees.

As provided in the investment management agreement, each Fund bears the cost of certain legal and tax services, including internal legal and tax services provided to each Fund by DMC and/or its affiliates employees. For the year ended March 31, 2008, each Fund was charged for internal legal and tax services provided by DMC and/or its affiliates employees as follows:

	Arizona Municipal Fund	Colorado Municipal Fund	Minnesota Municipal Fund II	National Municipal Fund
	$2,539	$4,238	$9,981	$2,021

Directors/Trustees fees include expenses accrued by the Funds for each Directors/Trustees retainer and per meeting fees. Certain officers of DMC and DSC are officers and/or Directors/Trustees of the Funds. These officers and Directors/Trustees are paid no compensation by the Funds.

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3. Investments

For the year ended March 31, 2008, the Funds made purchases and sales of investment securities other than short-term investments as follows:

	Arizona Municipal Fund	Colorado Municipal Fund	Minnesota Municipal Fund II	National Municipal Fund
Purchases	$12,576,979	$18,076,709	$15,397,004	$9,025,440
Sales	12,061,215	16,698,015	16,919,545	9,443,444

At March 31, 2008, the cost of investments and unrealized appreciation (depreciation) for federal income tax purposes for each Fund were as follows:

	Arizona Municipal Fund	Colorado Municipal Fund	Minnesota Municipal Fund II	National Municipal Fund
Cost of investments	$64,463,114	$105,941,375	$248,475,722	$52,799,148
Aggregate unrealized appreciation	$ 2,141,925	$ 3,970,314	$ 9,222,769	$ 624,302
Aggregate unrealized depreciation	(1,569,217)	(2,027,723)	(4,349,466)	(1,346,356)
Net unrealized appreciation (depreciation)	$ 572,708	$ 1,942,591	$ 4,873,303	$ (722,054)

4. Dividend and Distribution Information

Income and long-term capital gain distributions are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. Additionally, net short-term gains on sales of investment securities are treated as ordinary income for federal income tax purposes. The tax character of dividends and distributions paid during the years ended March 31, 2008 and 2007 was as follows:

	Arizona Municipal Fund	Colorado Municipal Fund	Minnesota Municipal Fund II	National Municipal Fund
Year Ended 3/31/08				
Ordinary Income	$ 58,659	$ —	$ 32,679	$ 60,768
Tax-exempt income	2,700,762	4,758,605	11,215,078	2,310,133
Long-term capital gain	232,318	913,220	—	142,452
Total	$2,991,739	$5,671,825	$11,247,757	$2,513,353
Year Ended 3/31/07				
Ordinary income	$ 15,433	$ —	$ —	$ —
Tax-exempt income	3,106,771	5,436,875	11,948,414	2,676,030
Long-term capital gain	134,934	435,594	—	208,722
Total	$3,257,138	$5,872,469	$11,948,414	$2,884,752

5. Components of Net Assets on a Tax Basis

As of March 31, 2008, the components of net assets on a tax basis were as follows:

	Arizona Municipal Fund	Colorado Municipal Fund	Minnesota Municipal Fund II	National Municipal Fund
Shares of beneficial interest	$40,780,234	$67,238,110	$158,750,422	$33,300,621
Distributions payable	(15,481)	(25,000)	(58,932)	(12,384)
Undistributed tax-exempt Income	—	62,773	—	—
Post-October losses	(43,488)	(245,374)	(65,893)	(182,094)
Capital loss carryforward	—	—	(194,046)	(18,596)

Unrealized appreciation (depreciation) of investments	572,708	1,942,591	4,873,303	(722,054)
Net assets	$41,293,973	$68,973,100	$163,304,854	$32,365,493

The difference between book basis and tax basis components of net assets are primarily attributable to tax deferral of losses on wash sales and tax treatment of market discount on debt instruments.

Post-October losses represent losses realized on investment transactions from November 1, 2007 through March 31, 2008 that, in accordance with federal income tax regulations, the Funds have elected to defer and treat as having arisen in the following fiscal year.

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Notes to financial statements

Delaware Investments Closed-End Municipal Bond Funds

5. Components of Net Assets on a Tax Basis (continued)

For financial reporting purposes, capital accounts are adjusted to reflect the tax character of permanent book/tax differences. Reclassifications are primarily due to tax treatment of dividends and distributions, capital loss carryforward expiration and tax treatment of market discount on debt instruments. Results of operations and net assets were not affected by these reclassifications. For the year ended March 31, 2008, the Funds recorded the following reclassifications:

	Arizona Municipal Fund	Colorado Municipal Fund	Minnesota Municipal Fund II	National Municipal Fund
Paid-in capital	$(58,659)	$	$(47,067)	$(60,768)
Undistributed net investment income	33,538	(769)	27,316	60,407
Accumulated net realized gain (loss)	25,121	769	19,751	361

For federal income tax purposes, capital loss carryforwards may be carried forward and applied against future capital gains. Capital loss carryforwards remaining at March 31, 2008 will expire as follows:

	Minnesota Municipal Fund II	National Municipal Fund
2009	$ 175,804	$
2010	8,416	
2013	9,826	
2016		18,596
Total	$ 194,046	$ 18,596

For the year ended March 31, 2008, the Minnesota Municipal Fund II utilized $161,006 of capital loss carryforwards and $14,388 expired in 2008.

6. Capital Stock

Pursuant to their articles of incorporation, Arizona Municipal Fund, Colorado Municipal Fund and Minnesota Municipal Fund II each have 200 million shares of $0.01 par value common shares authorized. National Municipal Fund has been authorized to issue an unlimited amount of $0.01 par value common shares. The Funds did not repurchase any shares under the Share Repurchase Program during the year ended March 31, 2008. Shares issuable under the Funds dividend reinvestment plan are purchased by the Funds’ transfer agent, Mellon Investor Services, LLC, in the open market.

For the year ended March 31, 2008, the Funds did not have any transactions in common shares.

The Funds each have one million shares of $0.01 par value preferred shares authorized, except for National Municipal Fund, which has an unlimited amount of $0.01 par value preferred shared authorized. The Arizona Municipal Fund and National Municipal Fund each currently have 250 Series A and 250 Series B preferred shares issued. Colorado Municipal Fund has 400 Series A and 400 Series B preferred shares issued, and Minnesota Municipal Fund II has 600 Series A, 600 Series B, 400 Series C, and 300 Series D Preferred Shares issued. The preferred shares of each Fund have a liquidation preference of $50,000 per share plus an amount equal to accumulated but unpaid dividends.

Dividends for the outstanding preferred shares of each Fund are cumulative at a rate established at the initial public offering and are reset based on the results of an auction. Prior to February 26, 2008, the dividends for outstanding preferred shares were reset every 28 days.

Dividend rates (adjusted for any capital gain distributions) ranged during the year ended March 31, 2008 as follows:

Fund	Low		High
Arizona Municipal Fund	3.23%	to	5.25%
Colorado Municipal Fund	3.10%	to	5.25%
Minnesota Municipal Fund II	3.04%	to	5.50%
National Municipal Fund	3.23%	to	5.15%

Citigroup Global Markets, Inc., and Merrill Lynch Pierce, Fenner & Smith Inc. (Colorado Municipal Fund only), as the remarketing agents, receive an annual fee from each of the Funds of 0.25% of the average amount of preferred stock outstanding.

Under the 1940 Act, the Funds may not declare dividends or make other distributions on common shares or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding preferred stock is less than 200%. The preferred shares are redeemable at the option of the Funds, in whole or in part, on any dividend payment date at $50,000 per share plus any accumulated but unpaid dividends whether or not declared. The preferred shares are also subject to mandatory redemption at $50,000 per share plus any accumulated but unpaid dividends whether or not declared, if certain requirements relating to the composition of the assets and liabilities of each Fund are not satisfied.

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6. Capital Stock (continued)

The holders of preferred shares have voting rights equal to the holders of common shares (one vote per share) and will vote together with holders of common shares as a single class. However, holders of preferred shares are also entitled to elect two of each Fund’s Directors. In addition, the 1940 Act requires that along with approval by shareholders that might otherwise be required, the approval of the holders of a majority of any outstanding preferred shares, voting separately as a class would be required to (a) adopt any plan of reorganization that would adversely affect the preferred shares, and (b) take any action requiring a vote of security holders pursuant to Section 13(a) of the 1940 Act, including, among other things, changes in each of the Fund’s subclassification as a closed-end investment company or (c) changes in their fundamental investment restrictions.

7. Inverse Floaters

The Funds may participate in inverse floater programs where a fund transfers its own bonds to a trust that issues floating rate securities and inverse floating rate securities (inverse floaters) with an aggregate principal amount equal to the principal of the transferred bonds. The inverse floaters received by the Funds are derivative tax-exempt obligations with floating or variable interest rates that move in the opposite direction of short-term interest rates, usually at an accelerated speed. Consequently, the market values of the inverse floaters will generally be more volatile than other tax-exempt investments. The Funds typically use inverse floaters to adjust the duration of its portfolio. Duration measures a portfolio’s sensitivity to changes in interest rates. By holding inverse floaters with a different duration than the underlying bonds that a Fund transferred to the trust, the Fund seeks to adjust its portfolio’s sensitivity to changes in interest rates. The Funds may also invest in inverse floaters to add additional income to the Funds or to adjust the Funds’ exposure to a specific segment of the yield curve. Securities held in trust relating to inverse floater programs are identified on the statements of net assets.

8. Credit and Market Risk

The Funds use leverage in the form of preferred shares. Leveraging may result in a higher degree of volatility because each Funds net asset value could be more sensitive to fluctuations in short-term interest rates and changes in market value of portfolio securities attributable to the leverage.

The Funds concentrate their investments in securities issued by municipalities. The value of these investments may be adversely affected by new legislation within the states, regional or local and national economic conditions, as applicable, and differing levels of supply and demand for municipal bonds. Many municipalities insure repayment for their 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 Funds. At March 31, 2008, the percentages of each Funds net assets, including liquidation value of preferred stock, insured by bond insurers are as follows:

Arizona Municipal Fund	38%
Colorado Municipal Fund	56%
Minnesota Municipal Fund	28%
National Municipal Fund	79%

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. These securities have been identified in the statements of net assets.

The Funds may invest in advanced 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 issues 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 of 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 Moodys Investors Service, Inc., Standard & Poors 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.

8. Credit and Market Risk (continued)

Each 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 relative illiquidity of these securities may impair each 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, each Funds Board of Trustees/Directors has delegated to DMC the day-to-day functions of determining whether individual securities are liquid for purposes of each Funds 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 Funds 15% limit on investments in illiquid securities. As of March 31, 2008, there were no Rule 144A securities and no securities have been determined to be illiquid under the Funds Liquidity Procedures.

9. Contractual Obligations

The Funds enter into contracts in the normal course of business that contain a variety of indemnifications. The Funds maximum exposure under these arrangements is unknown. However, the Funds have not had prior claims or losses pursuant to these contracts. Management has reviewed the Funds existing contracts and expects the risk of loss to be remote.

10. Tax Information (Unaudited)

The information set forth below is for the Funds fiscal year as required by federal income tax laws. Shareholders, however, must report distributions on a calendar year basis for income tax purposes, which may include distributions for portions of two fiscal years of a fund. Accordingly, the information needed by shareholders for income tax purposes will be sent to them in January of each year. Please consult your tax advisor for proper treatment of this information.

For the fiscal year ended March 31, 2008, each Fund designates distributions paid during the year as follows:

	(A) Long-Term Capital Gains Distributions (Tax Basis)	(B) Tax-Exempt Distributions (Tax Basis)	(C) Ordinary Income Distributions (Tax Basis)	Total Distributions (Tax Basis)
Arizona Municipal Fund	8%	90%	2%	100%
Colorado Municipal Fund	16%	84%		100%
Minnesota Municipal Fund II		100%		100%
National Municipal Fund	6%	92%	2%	100%

(A), (B) and (C) are based on a percentage of each Funds total distributions.

11. Preferred Shares

Beginning in February 2008, remarketings of each Funds shares failed. A remarketing fails when the remarketing agent is unable to set a dividend rate that will clear the market of all the shares that current holders wish to sell in a remarketing. A failed remarketing means that the current holders retain their preferred shares until the next periodic remarketing (for the Funds, periodic remarketings are typically 28 days but are generally 7 days when a remarketing fails), and the dividend rate for the next dividend period is automatically set to the maximum dividend rate established by each Funds governing instruments. Each Funds preferred shares maximum rate is calculated as 110% of the higher applicable AA composite commercial paper rate and the taxable equivalent of the short-term municipal bond rate.

These developments generally do not affect the management or investment policies of the Funds. However, one implication of these failed remarketings for common shareholders is that the Funds cost of leverage may be higher than it otherwise would have been had the remarketing continued to be successful. If this is the case, the Funds future common share earnings may be lower than they otherwise would have been.

Report of independent registered public accounting firm

The Shareholders and Board of Directors/Trustees of Delaware Investments Arizona Municipal Income Fund, Inc.
Delaware Investments Colorado Municipal Income Fund, Inc.
Delaware Investments Minnesota Municipal Income Fund II, Inc.
Delaware Investments National Municipal Income Fund

We have audited the accompanying statements of net assets of Delaware Investments Arizona Municipal Income Fund, Inc., Delaware Investments Colorado Municipal Income Fund, Inc., Delaware Investments Minnesota Municipal Income Fund II, Inc., and Delaware Investments National Municipal Income Fund (the Funds) as of March 31, 2008, and the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Funds 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 the standards of the Public Company Accounting Oversight Board (United States). 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. We were not engaged to perform an audit of the Funds internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of March 31, 2008, by correspondence with the custodian and brokers, or by other appropriate auditing procedures where replies from brokers were not received. 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 each of the respective Funds at March 31, 2008, the results of their operations for the year then ended, the changes in their net assets for each of the two years in the period then ended, and their financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Philadelphia, Pennsylvania
May 19, 2008

Other Fund information (unaudited)

Delaware Investments Closed-End Municipal Bond Funds

Fund management

Joseph R. Baxter
Senior Vice President, Head of Municipal Bond
Department, Senior Portfolio Manager

Joseph R. Baxter is the head of the municipal bond department and is responsible for setting the departments investment strategy. He is also a co-portfolio manager of the firms municipal bond funds and several client accounts. Before joining Delaware Investments in 1999, he held investment positions with First Union, most recently as a municipal portfolio manager with the Evergreen Funds. Baxter received a bachelors degree in finance and marketing from La Salle University.

Robert F. Collins, CFA
Senior Vice President, Senior Portfolio Manager

Robert F. Collins is a member of the firms municipal fixed income portfolio management team with primary responsibility for portfolio construction and strategic asset allocation. He is a co-portfolio manager of several of the firms municipal bond funds and client accounts. Prior to joining Delaware Investments in 2004, he spent five years as a co-manager of the municipal portfolio management group within PNC Advisors, where he oversaw the tax-exempt investments of high net worth and institutional accounts. Before that, he headed the municipal fixed income team at Wilmington Trust, where he managed funds and high net worth accounts. Collins earned a bachelors degree in economics from Ursinus College, and he is also a former president of The Financial Analysts of Wilmington, Delaware.

Stephen J. Czepiel
Senior Vice President, Portfolio Manager

Stephen J. Czepiel is a member of the firms municipal fixed income portfolio management team with primary responsibility for portfolio construction and strategic asset allocation. He is a co-portfolio manager of the firms municipal bond funds and client accounts. He joined Delaware Investments in July 2004 as a senior bond trader. Previously, he was vice president at both Mesirow Financial and Loop Capital Markets. He began his career in the securities industry in 1982 as a municipal bond trader at Kidder Peabody and now has more than 20 years of experience in the municipal securities industry. Czepiel earned his bachelors degree in finance and economics from Duquesne University.

Denise A. Franchetti, CFA
Vice President, Portfolio Manager, Senior Research Analyst

Denise A. Franchetti is a senior research analyst for the municipal bond department. Currently, she is responsible for following the airports/airlines, education, hotels, leases, turnpike/toll, and transportation sectors for the group. In 2003, she was also named as portfolio manager on several of the tax-exempt funds in addition to her research duties. Prior to joining Delaware Investments in 1997, she was a fixed income trader at Provident Mutual Life Insurance and an investment analyst at General Accident Insurance. Franchetti received her bachelors degree and an MBA from La Salle University, and she is a member of the CFA Society of Philadelphia.

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Recent Developments Regarding Bond Insurance Companies

Starting in January 2008, Standard and Poors, Moodys Investors Service and Fitch Ratings began to take negative actions against a number of the municipal bond insurers. These actions included actual rating downgrades, assigning negative outlooks, and/or placing the insurer financial strength rating on credit watch for possible downgrade. Through early April 2008, five (AMBAC, FGIC, CGIC, MBIA and XLCA) of the seven first tier monoline insurers have been downgraded by one or more of the rating agencies. 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 Funds.

Recent Developments Regarding Preferred Share Remarketings

Beginning in February 2008, remarketings of each Funds shares failed. A remarketing fails when the remarketing agent is unable to set a dividend rate that will clear the market of all the shares that current holders wish to sell in a remarketing. A failed remarketing means that the current holders retain their preferred shares until the next periodic remarketing (for the Funds, periodic remarketings are typically 28 days but are generally 7 days when a remarketing fails), and the dividend rate for the next dividend period is automatically set to the maximum dividend rate established by each Funds governing instruments. The preferred shares maximum rate is calculated as 110% of the higher applicable AA composite commercial paper rate and the taxable equivalent of the short-term municipal bond rate.

These developments generally do not affect the management or investment policies of the Funds. However, one implication of these failed remarketings for common shareholders is that the Funds cost of leverage may be higher than it otherwise would have been had the remarketing continued to be successful. If this is the case, the Funds future common share earnings may be lower than they otherwise would have been.

Delaware Investments is vigorously exploring viable methods to restore liquidity to preferred shareholders while carefully weighing the potential benefits and consequences of any action on both preferred and common shareholders. We continue to consult with the Funds distribution partners, banking firms, and applicable regulatory authorities, including the SEC, as part of our efforts to address this matter.

For current, up-to-date information, please visit the Delaware Investments Closed End Fund Market Update at: http://www.delawareinvestments.com/share/web_uploads/retail/closed_end/auc_rate.pdf

Change to the Funds Investment Policies

At a meeting of the Funds Board of Directors/Trustees on August 16, 2007, the Board approved the Funds ability to invest up to 15% of total net assets in credit default swaps.

Credit Default Swaps

A Fund may enter into credit default swap (CDS) contracts to the extent consistent with its investment objectives and strategies. A CDS contract is a risk-transfer instrument (in the form of a derivative security) through which one party (the purchaser of protection) transfers to another party (the seller of protection) the financial risk of a Credit Event (as defined below), as it relates to a particular reference security or basket of securities (such as an index). In exchange for the protection offered by the seller of protection, the purchaser of protection agrees to pay the seller of protection a periodic premium. In the most general sense, the benefit for the purchaser of protection is that, if a Credit Event should occur, it has an agreement that the seller of protection will make it whole in return for the transfer to the seller of protection of the reference security or securities. The benefit for the seller of protection is the premium income it receives. A Fund might use CDS contracts to limit or to reduce the risk exposure of the Fund to defaults of the issuer or issuers of its holdings (i.e., to reduce risk when the Fund owns or has exposure to such securities). A Fund also might use CDS contracts to create or vary exposure to securities or markets or as a tax management tool.

CDS transactions may involve general market, illiquidity, counterparty, and credit risks. CDS prices may also be subject to rapid movements in response to news and events affecting the underlying securities. In addition, the CDS market for municipal securities is less mature than the CDS market for taxable fixed income securities. The aggregate notional amount (typically, the principal amount of the reference security or securities) of a Funds investments in the CDS contracts will be limited to 15% of its total net assets. As the purchaser or seller of protection, a Fund may be required to segregate cash or other liquid assets to cover its obligations under certain CDS contracts.

Where a Fund is a purchaser of protection, it will designate on its books and records cash or liquid securities sufficient to cover its premium payments under the CDS. To the extent that a Fund, as a purchaser of protection, may be required in the event of a credit default to deliver to the counterparty (1) the reference security (or basket of securities), (2) a security (or basket of securities) deemed to be the equivalent of the reference security (or basket of securities), or (3) the negotiated monetary value of the obligation, the Fund will designate the reference security (or basket of securities) on its books and records as being held to satisfy its obligation under the CDS or, where the Fund does not own the reference security (or basket of securities), the Fund will designate on its books and records cash or liquid securities sufficient to satisfy the potential obligation. To the extent that the Fund, as a seller of protection, may be required in the event of a credit default to deliver to the counterparty some or all of the notional amount of the CDS, it will designate on its books and records cash or liquid securities sufficient to cover the obligation. If the CDS permits a Fund to offset its obligations against the obligations of the counterparty under the CDS, then the Fund will only designate on its books and records cash or liquid securities sufficient to cover the Funds net obligation to the counterparty, if any. All cash and liquid securities designated by a Fund to cover its obligations under CDS will be marked to market daily to cover these obligations.

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As the seller of protection in a CDS contract, a Fund would be required to pay the par (or other agreed-upon) value of a reference security (or basket of securities) to the counterparty in the event of a default, bankruptcy, failure to pay, obligation acceleration, modified restructuring or agreed upon event (each of these events is a Credit Event). If a Credit Event occurs, a Fund generally would receive the security or securities to which the Credit Event relates in return for the payment to the purchaser of the par value. Provided that no Credit Event occurs, a Fund would receive from the counterparty a periodic stream of payments over the term of the contract in return for this credit protection. In addition, if no Credit Event occurs during the term of the CDS contract, a Fund would have no delivery requirement or payment obligation to the purchaser of protection. As the seller of protection, a Fund would have credit exposure to the reference security (or basket of securities). A Fund will not sell protection in a CDS contract if it cannot otherwise hold the security (or basket of securities).

As the purchaser of protection in a CDS contract, a Fund would pay a premium to the seller of protection. In return, the Fund would be protected by the seller of protection from a Credit Event on the reference security (or basket of securities). A risk in this type of transaction is that the seller of protection may fail to satisfy its payment obligations to the Fund if a Credit Event should occur. This risk is known as counterparty risk and is described in further detail below.

If the purchaser of protection does not own the reference security (or basket of securities), the purchaser of protection may be required to purchase the reference security (or basket of securities) in the case of a Credit Event on the reference security (or basket of securities). If the purchaser of protection cannot obtain the security (or basket of securities), it may be obligated to deliver a security (or basket of securities) that is deemed to be equivalent to the reference security (or basket of securities) or the negotiated monetary value of the obligation.

Each CDS contract is individually negotiated. The term of a CDS contract, assuming no Credit Event occurs, is typically between two and five years, but there is no restriction on the term of the CDS contracts in which a Fund may invest. CDS contracts may be unwound through negotiation with the counterparty. Additionally, a CDS contract may be assigned to a third party. In either case, the unwinding or assignment involves the payment or receipt of a separate payment by a Fund to terminate the CDS contract.

A significant risk in CDS transactions is the creditworthiness of the counterparty because the integrity of the transaction depends on the willingness and ability of the counterparty to meet its contractual obligations. If there is a default by a counterparty who is a purchaser of protection, a Fund's potential loss is the agreed upon periodic stream of payments from the purchaser of protection. If there is a default by a counterparty that is a seller of protection, the Fund's potential loss is the failure to re