

DELAWARE INV COLORADO INSURED MUNICIPAL INCOME FUND INC

Form N-CSR

June 08, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

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, 2007

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Item 1. Reports to Stockholders

The Registrant's shareholder reports are combined with the shareholder reports of other investment company registrants. This Form N-CSR pertains to the DELAWARE INVESTMENTS COLORADO INSURED MUNICIPAL INCOME FUND, INC. of the Registrant, information on which is included in the following shareholder reports.

Annual Report

Delaware

# Investments Closed-End Municipal Bond Funds

March 31, 2007

## Closed-end funds

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### Dividend Reinvestment Plans

Each Fund offers an automatic dividend reinvestment program. If Fund shares are registered in your name and you are not already reinvesting dividends but would like to do so, contact the dividend plan agent, Mellon Investor Services LLC, at 800 851-9677. You will be asked to put your request in writing. If you have shares registered in a "street" name, contact your financial advisor or the broker/ dealer holding the shares.

Under the current policies of Arizona Municipal Income Fund, Florida Insured Municipal Income Fund, and Minnesota Municipal Income Fund II, all distributions of net investment income and capital gains to common stock shareholders are automatically reinvested in additional shares unless shareholders elect to receive all dividends and other distributions in cash paid by check mailed directly to shareholders by the dividend plan agent. Under the current policies of Colorado Insured Municipal Income Fund, distributions of net investment income and capital gains to common shareholders will be paid in cash unless shareholders notify Mellon Investor Services LLC of their desire to participate in the dividend reinvestment program.

After each Fund declares a dividend or determines to make a capital gains distribution, the plan agent will, as agent for the participants, receive the cash payment and use it to buy shares in the open market on the American Stock Exchange. The Funds will not issue any new shares in connection with the plan. You can contact Mellon at:

Mellon Investor Services LLC  
Dividend Reinvestment Department  
Overpeck Centre  
85 Challenger Road  
Ridgefield, NJ 07660  
800 851-9677

Funds are not FDIC insured and are not guaranteed. It is possible to lose the principal amount invested.

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

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## Portfolio management review

### Delaware Investments Closed-End Municipal Bond Funds

April 10, 2007

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, 2007. Please see page 6 to learn more about the portfolio managers.

#### **Q: What was the investment environment like for municipal bond funds during the fiscal year ended March 31, 2007?**

**A:** Based on changing projections for inflation during the year, the U.S. Federal Reserve's direction on monetary policy remained a topic of speculation and drove market volatility. Overall, rates fell during the year, primarily during the third and fourth quarters of calendar year 2006. The closely watched 10-year Treasury yield opened at a 4.86% and finished the fiscal year at a 4.65% (source: Municipal Market Data).

In the spring of 2006, economic reports showed strong growth for the first calendar quarter of 2006. Prices of oil and other commodities also rose in the spring, which led to inflationary pressure and uncertainty among investors about the timing of a Fed change in monetary policy. This helped push bond yields higher across all maturities and spurred an equity market pullback in May and June.

As the summer of 2006 progressed, inflation concerns began to cool because of weaker housing data and a steady drop in oil prices. Yields generally fell through the summer months after peaking on June 28, 2006 (source: Bloomberg). A broad-based bond rally that lasted into December seemed to be a result of investors having largely concluded that the Fed was finished boosting short-term interest rates after two years of restrictive policy measures.

During that rally, municipals performed well compared to U.S. Treasury bonds. We continued to feel the effect of nontraditional buyers in the municipal bond marketplace. In the past, demand for municipal bonds has traditionally been generated by individuals who are attracted to their tax-advantaged status. Today, analyzing the market entails an added layer of complexity, because hedge funds, banks, and corporations are entering the municipal bond market for other benefits. As an example, they might employ trading strategies aimed at capitalizing on the yield difference (known as a spread) between long and short bond yields.

In part because of an active fourth quarter, \$383 billion of bonds were issued nationally for calendar year 2006. The total was just 6.1% lower than the record set in 2005 (source: Bond Buyer). The increased demand from nontraditional buyers helped to support prices in the market despite the high rate of new issuance. In the first quarter of 2007, the active pace of issuance continued, with \$104 billion hitting the market, a total that beat the pace of issuance in the same period a year ago by 49%.

**Q: What factors influenced performance in the Funds?**

**A:** During a strong bond market rally, like the one that took place last fall, municipal bond prices tend to lag behind those of Treasury securities. Due to this fact, combined with a heavy supply of new municipal bonds entering the market at that time, we might reasonably have expected municipal bond prices to trail Treasuries by a considerable margin. However, the market remained stronger than taxable bonds through fiscal year-end. Demand, traditional and nontraditional, remained exceptionally high and the new issuance was scooped up by eager investors.

Demand also drove yields lower (and prices higher) for long maturity bonds, shrinking the yield spread between short and long-maturities. During the fiscal year, the spread between 2- and 30-year maturities narrowed by nearly a half percentage point.

During the market rally, we found what we believed to be good long-term opportunities, based on the attractiveness of the way certain bonds were structured. In the Funds without an insured mandate, our focus early in the year was on identifying value in the low and middle portion of the investment grade market segment — specifically, bonds rated BBB and A by Standard & Poor's (S&P).

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

April 10, 2007

#### Arizona Municipal Income Fund

**Q: What conditions prevailed in the Arizona debt market?**

**A:** Arizona is one of the fastest growing, most dynamic economies in the nation. The state has a competitive business climate and tax structure, a skilled, knowledge-based workforce, and both cultural and scenic tourism resources. Job growth in Arizona continued to accelerate in 2006 and ranked second nationwide. For fiscal year 2006, the state's non-farm payroll increased 4.8% (source: Nelson A. Rockefeller State Revenue Report #65). As of March 2007, the state's unemployment rate of 3.9% was below the national unemployment rate of 4.4%,

according to U.S. Department of Labor data.

For fiscal 2006, tax revenues increased 19.10%, led by very strong personal and sales tax (source: Nelson A. Rockefeller State Revenue Report #65). According to a recent Moody's report, the state's General Fund ended fiscal 2006 at \$1.7 billion. The Arizona Budget Stabilization Fund totaled \$651.0 million as of June 30, 2006, representing a \$490.1 million increase over 2005. Arizona's fiscal year 2007 General Fund budget currently totals \$10.09 billion and increases base spending by about 7.70%. The three main spending priorities include public safety, education, and healthcare.

**Q: How did the Arizona Municipal Income Fund perform versus its benchmark and peer group?**

**A:** The Fund returned +5.26% at net asset value (share returns include distributions reinvested). The median return of the Fund's peer group, the Lipper Other States Municipal Debt category, was +4.65% during the same period. As a broader benchmark, the Lehman Brothers Municipal Index returned +5.43% over the 12-month period (sources: Lipper, Lehman Brothers).

We remind shareholders that substantially all dividends in the Fund are free from federal income tax but may be subject to the alternative minimum tax, which applies to certain taxpayers. Capital gains, if any, are taxable. Additionally, past performance is not a guarantee of future results. Investors should consult with a tax professional regarding their specific solutions.

**Q: What strategies affected Fund performance?**

**A:** Bonds issued to finance hospitals and other healthcare projects outperformed other portions of the municipal bond market during the fiscal year. The healthcare industry currently appears stable and is growing based on the current and future needs of aging baby boomers. Healthcare bonds tend to be among the lower-rated investment grade issues (A or BBB, rated by S&P). An example of a strong performer in the Fund was a bond issued by University of Arizona Medical Center, rated Baa1 by Moody's and BBB+ by S&P, which is due to mature in 2033.

On the downside, bonds that were pre-refunded were among the underperformers during the one-year period. An example in the Fund was an AAA-rated Arizona School Facilities Board Revenue bond paying 5.00% interest and scheduled for redemption in 2011. Many pre-refunded bonds in the Fund currently show fiscal-period total returns that are lower compared to other bonds in the Fund during market rallies, but they have the potential to provide attractive income payments. Traditionally, we have opted to hold these bonds, without realizing a taxable gain. A downside of this strategy is that the short call feature, or the ability of the issuer to redeem the bond early, restricts price appreciation. During periods of falling interest rates, this may constrain the bond's total return.

In comparing returns to the benchmark index, one limiting factor for the Fund was that it did not utilize the noninvestment grade segment of the market. This rating category outperformed the Lehman Brothers Municipal Bond Index, posting a +9.84% return for the period. At its February 2007 meeting, the Fund's board of directors approved a change that will allow us to invest up to 20% of the Fund's net assets in municipal bonds that are rated lower than Ba1 by Moody's or BB+ by S&P, or that are unrated but judged to be of comparable quality.

*Investment in municipal bonds of below investment grade quality involves special risks as compared with investment in higher grade municipal bonds. These risks may include*

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*greater sensitivity to a general economic downturn, greater market price volatility and less secondary market trading. Securities rated below investment grade are commonly known as "junk bonds." Such securities are regarded, on balance, as predominantly speculative with respect to the issuer's ability to pay interest and repay principal owed.*

**Colorado Insured Municipal Income Fund**

**Q: What conditions prevailed in the Colorado debt market?**

**A:** After experiencing a sharper economic downturn than the nation in recent years, Colorado is now showing signs of recovering at a healthy pace. The state's employment declines bottomed out in early 2004. For Colorado's 2006 fiscal year, job growth was above national levels of 1.4%, with the state's non-farm payroll increasing 2.1% (source: Nelson A. Rockefeller State Revenue Report #65). This is largely attributable to growth in construction, healthcare, and education. As of March 2007, the state's unemployment rate of 3.8% was below the national unemployment rate of 4.4%, according to U.S. Department of Labor data.

For fiscal year 2006, Colorado tax revenues increased 11.6% (source: Nelson A. Rockefeller State Revenue Report #65). This growth is due to increases in personal income tax, sales tax, but most importantly corporate income tax. According to a recent Moody's report, Colorado's Required Statutory Reserve increased by \$53 million to total \$251.7 million in 2006. Colorado's General Fund balance stood at \$592.7 million as of June 30, 2006. Voter initiatives, such as the Tax Payer Bill of Rights, have limited Colorado's financial flexibility.

In November 2005, Referendum C was approved by Colorado voters. This allowed the state to retain tax revenue collected in excess of the fiscal year's budget for the following five years, estimated to be \$3.7 billion. Highlights of the 2006-2007 budget include increased higher education and human services spending.

**Q: How did the Fund perform versus its benchmark and peer group?**

**A:** Colorado Insured Municipal Income Fund returned +4.35% at net asset value (share returns include distributions reinvested). The median return of the Fund's peer group, the Lipper Other States Municipal Debt category, was +4.65% during the same period. A broader benchmark, the Lehman Brothers Municipal Index, returned +5.43% over the 12-month period (sources: Lipper, Lehman Brothers).

We remind shareholders that substantially all dividends in the Fund are free from federal income tax but may be subject to the alternative minimum tax, which applies to certain taxpayers. Capital gains, if any, are taxable. Additionally, past performance is not a guarantee of future results. Investors should consult with a tax professional regarding their specific situation.

**Q: What strategies affected Fund performance?**

**A:** We believe one of the reasons the Fund underperformed its Lipper peer group was due to the fundamental investment policy requiring the Fund to invest 80% of its assets in 100% insured or AAA-rated bonds. It should be noted that the Fund's peer group is not strictly an insured universe. Over this 12-month period in the Lehman Municipal Bond Index, S&P AAA-rated bonds returned just +5.29%, while BBB-rated bonds returned +7.33%, and noninvestment grade bonds posted a +9.84% return (source: Lehman Brothers).

Another drag on performance for the period was the significant level of bonds in the Fund with short call dates. A call is a feature that allows the issuer to redeem the bond early. These bonds were typically purchased with 10 years or so of call protection and have since rolled down the yield curve as they near their call dates. They were originally purchased in favorable yield environments, earned above-market book yields, and most have experienced price appreciation. Traditionally, we have opted to hold these bonds, maintaining the high book yield and not realizing a taxable gain. A downside of this strategy is that the short call feature, or the ability of the issuer to redeem the bond early, restricts price appreciation. During periods of falling interest rates, this may constrain the bond's total return.

Another facet of the Fund is older, pre-refunded bonds. Pre-refunded bonds are typically short in duration and

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## Portfolio management review

### Delaware Investments Closed-End Municipal Bond Funds

April 10, 2007

their performance will typically be close to that of bonds with short call dates. The pre-refunded portion of the Lehman Brothers Municipal Bond Index returned just 4.40% over the fiscal year. During the last six months, we purchased some longer bonds, funding those purchases with the sale proceeds of higher-quality, shorter-duration bonds — either pre-refunded bonds or bonds with very short calls.

## **Florida Insured Municipal Income Fund**

### **Q: What conditions prevailed in the Florida debt market?**

**A:** Florida's economy is one of the strongest in the nation. Job growth remained robust with non-farm payroll increasing 3.2% in 2006 fiscal year (source: Nelson A. Rockefeller State Revenue Report #65). High population growth has given strength to the state's economy but has also put pressure on government services for education, corrections, transportation, and health and human services.

One area of concern for the state economy is the housing market, which is currently experiencing a significant decline. Florida housing were down 47% in the last quarter of calendar 2006, compared to the same period of 2005 (source: Moody's). As of July 2006, the state's unemployment rate remained very low at 3.3% compared to the national unemployment rate of 4.4%, based on U.S. Department of Labor data.

For fiscal 2006, tax revenues were up 8.4%. Sales and use tax revenues, which account for approximately 72% of all taxes, grew 9.9% (source: Nelson A. Rockefeller State Revenue Report #65).

According to a recent Moody's report, the state's General Fund ended fiscal 2006 at \$8.0 billion. Florida's Budget Stabilization Fund totaled \$999 million at the end of fiscal 2005 and \$1.1 billion at the end of fiscal 2006. The Florida intangible personal property tax, which is a duty on stocks and bonds that affects some of Florida's wealthiest, was voted out of existence by the state legislature on April 26, 2006, with annual tax savings estimated to be \$161 million for an estimated 300,000 taxpayers. According to this report, the \$74 billion fiscal 2007 budget provides for \$298 million in tax cuts and sets aside \$6.4 billion in reserves. The state has conservatively estimated net general revenue growth of 1.6% in 2007 compared to a historical average of 9.8%.

### **Q: How did the Fund perform versus its benchmark and peer group?**

**A:** The Florida Insured Municipal Income Fund returned +5.27% at net asset value (share returns include distributions reinvested). The median return of the Fund's peer group, the Lipper Florida Closed-End Municipal Debt Funds, was +5.89% during the same period. As a broader benchmark, the Lehman Brothers Municipal Index returned +5.43% over the 12-month period (sources: Lipper, Lehman Brothers).

We remind shareholders that substantially all dividends in the Fund are free from federal income tax but may be subject to the alternative minimum tax, which applies to certain taxpayers. Capital gains, if any, are taxable. Additionally, past performance is not a guarantee of future results. Investors should consult with a tax professional regarding their specific situations.

### **Q: What strategies affected Fund performance?**

**A:** We believe one of the reasons that the Fund underperformed its Lipper peer group is due to the fundamental investment policy requiring the Fund to invest 80% of its assets in 100% insured or S&P AAA-rated bonds. It should be noted that the Fund's peer group is not strictly an insured universe. Over this 12-month period in the Lehman Municipal Bond Index, AAA-rated bonds returned just +5.29%, while BBB-rated bonds returned +7.33%, and noninvestment grade bonds posted a +9.84% return (source: Lehman Brothers).

One of the other drags on performance was the significant level of bonds in the Fund with short call dates. A call is a feature that allows the issuer to redeem a bond early. These bonds were typically purchased with 10 years or so of call protection and have since "rolled down the yield curve" as they near their call dates. They were originally purchased in favorable yield

environments, earned above-market book yields, and most have experienced price appreciation. Traditionally, we have opted to hold these bonds, maintaining the high book yield and not realizing a taxable gain. A downside of this strategy is that the short call feature, or the ability of the issuer to redeem the bond early, restricts price appreciation. During periods of falling interest rates, this may constrain the bond's total return.

## **Minnesota Municipal Income Fund II**

### **Q: What conditions prevailed in the Minnesota debt market?**

**A:** Minnesota has recovered from the 2001 recession and the resulting damage to the state's finances. The state has steady demographic trends, high personal income levels, high employment diversity and performance, and low unemployment (source: Moody's). In fiscal 2006, the state's non-farm payroll increased 1.9% compared to national growth of 1.4% (source: Nelson A. Rockefeller State Revenue Report #65). As of March 2007, the state's unemployment rate was slightly high at 4.5% compared to the national unemployment rate of 4.4% (source: U.S. Department of Labor).

For fiscal 2006, tax revenues were up 8.8% (source: Nelson A. Rockefeller State Revenue Report #65). According to a recent Moody's report, the state's General Fund ended fiscal 2006 at \$838.8 million, a \$745.8 million increase over 2005. The budget reserve has climbed back to \$1.1 billion, on a budgetary basis (source: Fiscal Survey of the States, December 2006). The enacted 2006-2007 Budget projects total spending to increase 8.4%. Most of the spending increases are going toward K-12 education, health and human services, and public safety. The state is paying for these increases with approximately \$1 billion in new ongoing revenues, including a \$0.75 per pack increase in the cigarette tax.

### **Q: How did the Fund perform versus its benchmark and peer group?**

**A:** Minnesota Municipal Income Fund II returned +6.05% at net asset value (share returns include distributions reinvested). The median return of the Fund's peer group, the Lipper Other States Municipal Debt category, was +4.65% during the same period. As a broader benchmark, the Lehman Brothers Municipal Index returned +5.43% over the 12-month period (sources: Lipper, Lehman Brothers).

We remind shareholders that substantially all dividends in the Fund are free from federal income tax but may be subject to the alternative minimum tax, which applies to certain taxpayers. Capital gains, if any, are taxable. Additionally, past performance is not a guarantee of future results. Investors should consult with a tax professional regarding their specific situation.

### **Q: What strategies affected Fund performance?**

**A:** Bonds issued to finance hospitals and other healthcare projects outperformed other portions of the municipal bond market during the fiscal year. The healthcare industry currently appears stable and is growing based on the current and future needs of aging baby boomers. Healthcare bonds tend to be among the lower-rated investment grade issues (A or BBB by S&P). An example in the Fund of one of the better performers is a bond issued by the City of Duluth for the Benedictine Health System, which is rated A- by S&P and A- by Fitch, and is due to mature in 2033.

Bonds issued to finance corporate-related projects, were the top-performing sector in the Lehman Brothers Municipal Bond Index for the period. The Fund was slightly overweight versus the benchmark in this sector. An example of a strong performer was a bond issued for an electric co-generation facility by Laurentian Energy Authority. The bond is currently rated Baa3 by Moody's and matures in 2021.

On the downside, bonds that were pre-refunded were among the underperformers over a one-year period. An example in the Fund is an AAA-rated (by S&P) Minnesota Agriculture and Economic Development Board Revenue bond paying 5.75% interest and scheduled for redemption later in 2007.

Many pre-refunded bonds in the Fund showed fiscal year total returns for the period that were lower compared to other bonds in the Fund during market rallies, but they currently still

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## Portfolio management review

### Delaware Investments Closed-End Municipal Bond Funds

April 10, 2007

provide attractive income payments. Traditionally, we have opted to hold these bonds, maintaining the high book yield and not realizing a taxable gain. A downside of this strategy is that the short call dates may restrict price appreciation which, during periods of falling interest rates, constrains the bond's total return.

In comparing returns to the benchmark index and some of the Fund's peers, one limiting factor for the Fund was that it did not utilize the noninvestment grade segment of the market. This rating category outperformed the Lehman Brothers Municipal Bond Index, posting a +9.84% return. At its February 2007 meeting, the Fund's board of directors approved a change that will allow us to invest up to 20% of the Fund's net assets in municipal bonds that are rated lower than Ba1 by Moody's or BB+ by S&P, or that are unrated but judged to be of comparable quality.

*Investment in municipal bonds of below investment grade quality involves special risks as compared with investment in higher grade municipal bonds. These risks may include greater sensitivity to a general economic downturn, greater market price volatility and less secondary market trading. Securities rated below investment grade are commonly known as "junk bonds." Such securities are regarded, on balance, as predominantly speculative with respect to the issuer's ability to pay interest and repay principal owed.*

### Fund managers

Joseph Baxter  
Senior Vice President, Head of Municipal Bond  
Department, Senior Portfolio Manager  
Arizona Municipal Income Fund,  
Colorado Insured Municipal Income Fund,  
Florida Insured Municipal Income Fund,  
Minnesota Municipal Income Fund II

Mr. Baxter joined Delaware Investments in 1999. He heads the firm's municipal bond department and is responsible for setting the department's investment strategy. He is also a co-portfolio manager of the firm's municipal bond funds and several client accounts. Before joining Delaware Investments, he held investment positions with First Union, most recently as a municipal portfolio manager with the Evergreen Funds. Mr. Baxter received a bachelor's degree in finance and marketing from LaSalle University.

Robert Collins  
Senior Vice President, Senior Portfolio Manager  
Arizona Municipal Income Fund,  
Colorado Insured Municipal Income Fund,  
Florida Insured Municipal Income Fund,  
Minnesota Municipal Income Fund II

Mr. Collins joined Delaware Investments in 2004 and is a co-portfolio manager of several of the firm's municipal bond funds and client accounts. Prior to joining Delaware Investments, 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. Mr. Collins earned a bachelor's degree in economics from Ursinus College, and he is also a former president of the Financial Analysts of Wilmington, Delaware.

Denise Franchetti  
Vice President, Portfolio Manager,  
Senior Research Analyst  
Arizona Municipal Income Fund,

Colorado Insured Municipal Income Fund,  
Florida Insured Municipal Income Fund,  
Minnesota Municipal Income Fund II

Ms. Franchetti joined Delaware Investments in 1997 as a research analyst for the municipal bond group. 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. Previously, Ms. Franchetti was a fixed income trader at Provident Mutual Life Insurance and an investment analyst at General Accident Insurance. Ms. Franchetti received her bachelor's degree and an MBA from LaSalle University, and she is a member of The CFA Society of Philadelphia.

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## Performance summaries

### **Delaware Investments Arizona Municipal Income Fund, Inc.**

#### **Fund basics**

As of March 31, 2007

#### **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**

\$43.9 million

#### **Number of holdings**

52

#### **Fund start date**

Feb. 26, 1993

### **Delaware Investments Colorado Insured Municipal Income Fund, Inc.**

#### **Fund basics**

As of March 31, 2007

#### **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**

\$73.1 million

#### **Number of holdings**

52

#### **Fund start date**

July 29, 1993

### **Delaware Investments Florida Insured Municipal Income Fund**

### Fund basics

As of March 31, 2007

### Fund objective

The Fund seeks to provide current income exempt from both regular federal income tax consistent with preservation of capital.

### Total Fund net assets

\$35.2 million

### Number of holdings

39

### Fund start date

Feb. 26, 1993

### Delaware Investments

Minnesota Municipal Income Fund II, Inc.

### Fund basics

As of March 31, 2007

### Fund objective

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

### Total Fund net assets

\$171.1 million

### Number of holdings

126

### Fund start date

Feb. 26, 1993

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## Sector allocations and credit quality breakdowns

As of March 31, 2007

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

### Delaware Investments

Arizona Municipal Income Fund, Inc.

| Sector                         | Percentage<br>of Net Assets |
|--------------------------------|-----------------------------|
| <b>Municipal Bonds</b>         | <b>152.47%</b>              |
| Education Revenue Bonds        | 16.48%                      |
| Electric Revenue Bonds         | 12.60%                      |
| Escrowed to Maturity Bonds     | 6.09%                       |
| Health Care Revenue Bonds      | 19.52%                      |
| Housing Revenue Bonds          | 2.05%                       |
| Lease Revenue Bonds            | 8.73%                       |
| Local General Obligation Bonds | 20.08%                      |

|                                                        |                 |
|--------------------------------------------------------|-----------------|
| Pre-Refunded Bonds                                     | 36.30%          |
| Special Tax Revenue Bonds                              | 8.36%           |
| Transportation Revenue Bonds                           | 16.70%          |
| Water & Sewer Revenue Bonds                            | 5.56%           |
| <b>Short-Term Investments</b>                          | <b>3.64%</b>    |
| <b>Total Value of Securities</b>                       | <b>156.11%</b>  |
| <b>Receivables and Other Assets Net of Liabilities</b> | <b>0.82%</b>    |
| <b>Liquidation Value of Preferred Stock</b>            | <b>(56.93%)</b> |
| <b>Total Net Assets</b>                                | <b>100.00%</b>  |

## Credit Quality Breakdown

(as a % of fixed income investments)

|              |                |
|--------------|----------------|
| AAA          | 67.71%         |
| AA           | 15.24%         |
| A            | 8.20%          |
| BBB          | 7.41%          |
| Not Rated    | 1.44%          |
| <b>Total</b> | <b>100.00%</b> |

## Delaware Investments

## Colorado Insured Municipal Income Fund, Inc.

| Sector                                                 | Percentage<br>of Net Assets |
|--------------------------------------------------------|-----------------------------|
| <b>Municipal Bonds</b>                                 | <b>148.74%</b>              |
| Education Revenue Bonds                                | 29.87%                      |
| Electric Revenue Bonds                                 | 1.48%                       |
| Health Care Revenue Bonds                              | 5.36%                       |
| Lease Revenue Bonds                                    | 13.11%                      |
| Local General Obligation Bonds                         | 14.55%                      |
| Pre-Refunded Bonds                                     | 49.08%                      |
| Special Tax Revenue Bonds                              | 5.54%                       |
| Transportation Revenue Bonds                           | 18.76%                      |
| Water & Sewer Revenue Bonds                            | 10.99%                      |
| <b>Short-Term Investments</b>                          | <b>1.50%</b>                |
| <b>Total Value of Securities</b>                       | <b>150.24%</b>              |
| <b>Receivables and Other Assets Net of Liabilities</b> | <b>4.51%</b>                |
| <b>Liquidation Value of Preferred Stock</b>            | <b>(54.75%)</b>             |
| <b>Total Net Assets</b>                                | <b>100.00%</b>              |

## Credit Quality Breakdown

(as a % of fixed income investments)

|              |                |
|--------------|----------------|
| AAA          | 100.00%        |
| <b>Total</b> | <b>100.00%</b> |

**Delaware Investments**  
**Florida Insured Municipal Income Fund**

| Sector                                                 | Percentage<br>of Net Assets |
|--------------------------------------------------------|-----------------------------|
| <b>Municipal Bonds</b>                                 | <b>151.21%</b>              |
| Education Revenue Bonds                                | 3.56%                       |
| Electric Revenue Bonds                                 | 5.81%                       |
| Health Care Revenue Bonds                              | 18.20%                      |
| Housing Revenue Bonds                                  | 23.12%                      |
| Lease Revenue Bonds                                    | 20.02%                      |
| Local General Obligation Bonds                         | 3.87%                       |
| Pre-Refunded Bonds                                     | 9.15%                       |
| Special Tax Revenue Bonds                              | 26.35%                      |
| State General Obligation Bonds                         | 5.97%                       |
| Transportation Revenue Bonds                           | 15.51%                      |
| Water & Sewer Revenue Bonds                            | 19.65%                      |
| <b>Short-Term Investments</b>                          | <b>3.40%</b>                |
| <b>Total Value of Securities</b>                       | <b>154.61%</b>              |
| <b>Receivables and Other Assets Net of Liabilities</b> | <b>2.11%</b>                |
| <b>Liquidation Value of Preferred Stock</b>            | <b>(56.72%)</b>             |
| <b>Total Net Assets</b>                                | <b>100.00%</b>              |

## Credit Quality Breakdown

(as a % of fixed income investments)

|              |                |
|--------------|----------------|
| AAA          | 100.00%        |
| <b>Total</b> | <b>100.00%</b> |

**Delaware Investments**  
**Minnesota Municipal Income Fund II, Inc.**

| Sector                                                 | Percentage<br>of Net Assets |
|--------------------------------------------------------|-----------------------------|
| <b>Municipal Bonds</b>                                 | <b>158.45%</b>              |
| Corporate-Backed Revenue Bonds                         | 6.60%                       |
| Education Revenue Bonds                                | 8.65%                       |
| Electric Revenue Bonds                                 | 21.06%                      |
| Escrowed to Maturity Bonds                             | 17.13%                      |
| Health Care Revenue Bonds                              | 21.58%                      |
| Housing Revenue Bonds                                  | 9.76%                       |
| Lease Revenue Bonds                                    | 10.42%                      |
| Local General Obligation Bonds                         | 25.98%                      |
| Pre-Refunded Bonds                                     | 22.91%                      |
| Special Tax Revenue Bonds                              | 1.64%                       |
| State General Obligation Bonds                         | 5.08%                       |
| Transportation Revenue Bonds                           | 7.64%                       |
| <b>Short-Term Investments</b>                          | <b>0.47%</b>                |
| <b>Total Value of Securities</b>                       | <b>158.92%</b>              |
| <b>Liabilities Net of Receivables and Other Assets</b> | <b>(3.41%)</b>              |
| <b>Liquidation Value of Preferred Stock</b>            | <b>(55.51%)</b>             |
| <b>Total Net Assets</b>                                | <b>100.00%</b>              |

## Credit Quality Breakdown

(as a % of fixed income investments)

|     |        |
|-----|--------|
| AAA | 57.03% |
| AA  | 14.38% |

|              |                |
|--------------|----------------|
| A            | 15.95%         |
| BBB          | 9.21%          |
| BB           | 2.16%          |
| B            | 0.36%          |
| Not Rated    | 0.91%          |
| <b>Total</b> | <b>100.00%</b> |

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## Statements of net assets

### Delaware Investments Arizona Municipal Income Fund, Inc.

March 31, 2007

|                                                                                                                                           | Principal<br>Amount | Value       |
|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------|
| <b>Municipal Bonds □ 152.47%</b>                                                                                                          |                     |             |
| Education Revenue Bonds □ 16.48%                                                                                                          |                     |             |
| Arizona State University Certificates<br>of Participation (Research<br>Infrastructure Project)<br>5.00% 9/1/30 (AMBAC)                    | \$1,000,000         | \$1,048,890 |
| Arizona Student Loan Acquisition<br>Authority Revenue Refunding<br>Series A-1 5.90% 5/1/24 (AMT)                                          | 1,500,000           | 1,589,055   |
| Glendale Industrial Development<br>Authority Revenue Refunding<br>(Midwestern University)<br>5.00% 5/15/31                                | 350,000             | 373,398     |
| Northern Arizona University<br>Certificates of Participation<br>(Northern Arizona University<br>Research Project)<br>5.00% 9/1/30 (AMBAC) | 1,000,000           | 1,054,390   |
| Pima County Industrial<br>Development Authority (Tucson<br>Day School Project)<br>5.00% 6/1/37                                            | 500,000             | 502,145     |
| South Campus Group Student<br>Housing Revenue (Arizona<br>State University South Campus<br>Project) 5.625% 9/1/35 (MBIA)                  | 1,000,000           | 1,096,500   |
| University of Arizona Certificates<br>of Participation (University<br>of Arizona Project) Series B<br>5.125% 6/1/22 (AMBAC)               | 500,000             | 527,680     |
| University of Puerto Rico Revenue<br>Series Q 5.00% 6/1/36                                                                                | 1,000,000           | 1,042,890   |
|                                                                                                                                           |                     | 7,234,948   |

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Electric Revenue Bonds □ 12.60%

|                                                                                                           |           |           |
|-----------------------------------------------------------------------------------------------------------|-----------|-----------|
| Salt River Project Agricultural Improvement & Power District Electric System Revenue (Salt River Project) |           |           |
| Series A 5.00% 1/1/31                                                                                     | 1,500,000 | 1,573,170 |
| Series A 5.00% 1/1/37                                                                                     | 2,500,000 | 2,646,000 |
| Series B 5.00% 1/1/25                                                                                     | 1,250,000 | 1,315,563 |
|                                                                                                           |           | 5,534,733 |

Escrowed to Maturity Bonds □ 6.09%

|                                                             |           |           |
|-------------------------------------------------------------|-----------|-----------|
| Puerto Rico Commonwealth Infrastructure Financing Authority |           |           |
| Series A 5.50% 10/1/40                                      | 2,500,000 | 2,674,950 |
|                                                             |           | 2,674,950 |

Health Care Revenue Bonds □ 19.52%

|                                                                                     |         |         |
|-------------------------------------------------------------------------------------|---------|---------|
| Maricopa County Industrial Development Authority Revenue (Catholic Healthcare West) |         |         |
| Series A 5.50% 7/1/26                                                               | 430,000 | 460,582 |
| (Mayo Clinic) 5.00% 11/15/36                                                        | 750,000 | 784,343 |

Maricopa County Industrial

Development Authority Health

Facilities Revenue

(Mayo Clinic Hospital)

|                |           |           |
|----------------|-----------|-----------|
| 5.25% 11/15/37 | 2,000,000 | 2,047,160 |
|----------------|-----------|-----------|

Show Low Industrial Development

Authority Hospital Revenue

(Navapache Regional Medical

Center)

|                              |           |           |
|------------------------------|-----------|-----------|
| Series A 5.50% 12/1/17 (ACA) | 1,600,000 | 1,643,968 |
|------------------------------|-----------|-----------|

University Medical Center

Corporation Arizona Hospital

Revenue

|              |           |           |
|--------------|-----------|-----------|
| 5.00% 7/1/33 | 1,000,000 | 1,021,890 |
|--------------|-----------|-----------|

|              |         |         |
|--------------|---------|---------|
| 5.00% 7/1/35 | 500,000 | 511,500 |
|--------------|---------|---------|

Yavapai County Industrial

Development Authority

Revenue (Yavapai Regional

Medical Center) Series A

|                        |           |           |
|------------------------|-----------|-----------|
| 5.25% 8/1/21 (RADIANT) | 2,000,000 | 2,104,859 |
|------------------------|-----------|-----------|

8,574,302

Housing Revenue Bonds □ 2.05%

Phoenix Industrial Development

Authority Single Family

Statewide Revenue

Series A 5.35% 6/1/20 (GNMA)

|                      |         |         |
|----------------------|---------|---------|
| (FNMA) (FHLMC) (AMT) | 465,000 | 472,026 |
|----------------------|---------|---------|

Series C 5.30% 4/1/20 (GNMA)

|                      |         |         |
|----------------------|---------|---------|
| (FNMA) (FHLMC) (AMT) | 370,000 | 372,720 |
|----------------------|---------|---------|

Pima County Industrial

Development Authority Single

|                                                                                                                                            |           |           |
|--------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Family Mortgage Revenue<br>Series A-1 6.125% 11/1/33<br>(GNMA) (FNMA) (FHLMC) (AMT)                                                        | 55,000    | 55,128    |
|                                                                                                                                            |           | 899,874   |
| Lease Revenue Bonds □ 8.73%                                                                                                                |           |           |
| Arizona Game & Fishing<br>Department & Commission<br>Beneficial Interest Certificates<br>(Administration Building Project)<br>5.00% 7/1/26 | 640,000   | 669,133   |
| Coconino County Unified School<br>District #8 (Page Impact Aid<br>Revenue Project of 2004)<br>Series A 5.00% 7/1/15 (MBIA)                 | 1,000,000 | 1,078,350 |
| Nogales Development Authority<br>Municipal Facilities Revenue<br>5.00% 6/1/30 (AMBAC)                                                      | 500,000   | 526,510   |
| Phoenix Civic Improvement<br>Corporation Excise Tax Senior<br>Lien (Municipal Courthouse<br>Project) Series A 5.25% 7/1/24                 | 1,000,000 | 1,039,710 |

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|                                                                                                            | Principal<br>Amount | Value      |
|------------------------------------------------------------------------------------------------------------|---------------------|------------|
| <b>Municipal Bonds (continued)</b>                                                                         |                     |            |
| Lease Revenue Bonds (continued)                                                                            |                     |            |
| Prescott Valley Municipal Property<br>Corporation 5.00% 1/1/27<br>(FGIC)                                   | \$ 500,000          | \$ 520,350 |
|                                                                                                            |                     | 3,834,053  |
| Local General Obligation Bonds □ 20.08%                                                                    |                     |            |
| Marana Tangerine Farm Road<br>Improvement District Revenue<br>4.60% 1/1/26                                 | 1,000,000           | 998,440    |
| Maricopa County School District #6<br>(Washington Elementary)<br>Refunding Series A<br>5.375% 7/1/13 (FSA) | 3,000,000           | 3,280,679  |
| (Washington Elementary School<br>Improvement Project of 2001)<br>Series B 5.00% 7/1/17 (FSA)               | 1,000,000           | 1,096,160  |
| Maricopa County School District<br>#38 Refunding (Madison<br>Elementary) 5.00% 7/1/13 (FSA)                | 1,250,000           | 1,339,538  |
| Queen Creek Improvement<br>District #1 5.00% 1/1/32                                                        | 1,000,000           | 1,021,030  |
| Tempe Union High School                                                                                    |                     |            |

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|                                  |           |           |
|----------------------------------|-----------|-----------|
| District #213 5.00% 7/1/14 (FSA) | 1,000,000 | 1,080,990 |
|                                  |           | 8,816,837 |

## \$Pre-Refunded Bonds □ 36.30%

|                                                                                                    |           |           |
|----------------------------------------------------------------------------------------------------|-----------|-----------|
| Arizona School Facilities Board<br>Certificates of Participation<br>Series B 5.25% 9/1/19-14 (FSA) | 1,000,000 | 1,097,150 |
|----------------------------------------------------------------------------------------------------|-----------|-----------|

|                                                                                                         |           |           |
|---------------------------------------------------------------------------------------------------------|-----------|-----------|
| Arizona School Facilities Board<br>Revenue (State School<br>Improvement) Series 2001<br>5.00% 7/1/19-11 | 2,000,000 | 2,104,140 |
|---------------------------------------------------------------------------------------------------------|-----------|-----------|

|                                                                              |           |           |
|------------------------------------------------------------------------------|-----------|-----------|
| Arizona Transportation Board<br>Highway Revenue Refunding<br>5.75% 7/1/18-09 | 2,350,000 | 2,457,465 |
|------------------------------------------------------------------------------|-----------|-----------|

|                                                                                                         |           |           |
|---------------------------------------------------------------------------------------------------------|-----------|-----------|
| Arizona Water Infrastructure<br>Finance Authority Revenue<br>Water Quality Series A<br>5.05% 10/1/20-11 | 1,500,000 | 1,585,515 |
|---------------------------------------------------------------------------------------------------------|-----------|-----------|

|                                                                                   |           |           |
|-----------------------------------------------------------------------------------|-----------|-----------|
| Oro Valley Municipal Property<br>Corporation Excise Tax<br>5.00% 7/1/20-11 (FGIC) | 1,000,000 | 1,055,780 |
|-----------------------------------------------------------------------------------|-----------|-----------|

|                                                                                     |         |         |
|-------------------------------------------------------------------------------------|---------|---------|
| Puerto Rico Commonwealth<br>Public Improvement Revenue<br>Series A 5.125% 7/1/31-11 | 250,000 | 264,845 |
|-------------------------------------------------------------------------------------|---------|---------|

|                                                                                                                 |           |           |
|-----------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Puerto Rico Highway &<br>Transportation Authority<br>Transportation Refunding<br>Series D 5.00% 7/1/32-12 (FSA) | 3,475,000 | 3,694,654 |
|-----------------------------------------------------------------------------------------------------------------|-----------|-----------|

|                                                                                                                |           |           |
|----------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Scottsdale Industrial Development<br>Authority Hospital Revenue<br>(Scottsdale Healthcare)<br>5.80% 12/1/31-11 | 1,000,000 | 1,095,190 |
|----------------------------------------------------------------------------------------------------------------|-----------|-----------|

|                                                                                                                         |           |           |
|-------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Southern Arizona Capital<br>Facilities Finance Corporation<br>(University of Arizona Project)<br>5.00% 9/1/23-12 (MBIA) | 1,150,000 | 1,224,221 |
|-------------------------------------------------------------------------------------------------------------------------|-----------|-----------|

|                                                                                                                          |           |            |
|--------------------------------------------------------------------------------------------------------------------------|-----------|------------|
| Virgin Islands Public Finance<br>Authority Revenue (Gross<br>Receipts Tax Loan Note) Series A<br>6.125% 10/1/29-10 (ACA) | 1,250,000 | 1,361,663  |
|                                                                                                                          |           | 15,940,623 |

## Special Tax Revenue Bonds □ 8.36%

|                                                                                                                      |           |           |
|----------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Arizona Tourism & Sports Authority<br>Tax Revenue Multipurpose<br>Stadium Facilities Series A<br>5.00% 7/1/31 (MBIA) | 1,000,000 | 1,041,580 |
|----------------------------------------------------------------------------------------------------------------------|-----------|-----------|

|                                                                             |           |           |
|-----------------------------------------------------------------------------|-----------|-----------|
| Glendale Municipal Property<br>Corporation Series A<br>5.00% 7/1/33 (AMBAC) | 2,000,000 | 2,107,300 |
|-----------------------------------------------------------------------------|-----------|-----------|

|                                                                                      |  |  |
|--------------------------------------------------------------------------------------|--|--|
| San Luis Civic Improvement<br>Corporation Municipal<br>Facilities Excise Tax Revenue |  |  |
|--------------------------------------------------------------------------------------|--|--|

|                                                                                                                  |           |                   |
|------------------------------------------------------------------------------------------------------------------|-----------|-------------------|
| 5.00% 7/1/38 (XLCA)                                                                                              | 500,000   | 523,890           |
|                                                                                                                  |           | 3,672,770         |
| <b>Transportation Revenue Bonds</b> □ 16.70%                                                                     |           |                   |
| Phoenix Civic Improvement Corporation Airport Revenue Series B 5.25% 7/1/27 (FGIC) (AMT)                         | 2,000,000 | 2,086,920         |
| Puerto Rico Commonwealth Highway & Transportation Authority Transportation Refunding Series D 5.00% 7/1/32 (FSA) | 5,025,000 | 5,244,894         |
|                                                                                                                  |           | 7,331,814         |
| <b>Water &amp; Sewer Revenue Bonds</b> □ 5.56%                                                                   |           |                   |
| Phoenix Civic Improvement Corporation Wastewater Systems Revenue Junior Lien 5.00% 7/1/24 (FGIC)                 | 1,590,000 | 1,657,209         |
| 5.00% 7/1/26 (FGIC)                                                                                              | 750,000   | 784,808           |
|                                                                                                                  |           | 2,442,017         |
| <b>Total Municipal Bonds</b>                                                                                     |           |                   |
| (cost \$64,117,120)                                                                                              |           | <b>66,956,921</b> |

(continues) 11

## Statements of net assets

### Delaware Investments Arizona Municipal Income Fund, Inc.

|                                                                                                                          | Principal<br>Amount | Value             |
|--------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|
| <b>Short-Term Investments</b> □ 3.64%                                                                                    |                     |                   |
| Variable Rate Demand Notes □ 3.64%                                                                                       |                     |                   |
| Arizona Health Facilities Authority Revenue (Catholic West Health Facilities) Series B 3.68% 7/1/35                      | \$ 600,000          | 600,000           |
| Coconino County Industrial Development Authority Industrial Development Revenue (Scuff Steel Project) 3.75% 3/1/27 (LOC) |                     |                   |
| Wells Fargo Bank NA) (AMT)                                                                                               | 1,000,000           | 1,000,000         |
| <b>Total Short-Term Investments</b>                                                                                      |                     |                   |
| (cost \$1,600,000)                                                                                                       |                     | <b>1,600,000</b>  |
| <b>Total Value of Securities</b> □ 156.11%                                                                               |                     |                   |
| (cost \$65,717,120)                                                                                                      |                     | <b>68,556,921</b> |
| <b>Receivables and Other Assets</b>                                                                                      |                     |                   |

|                                                               |                     |
|---------------------------------------------------------------|---------------------|
| <b>Net of Liabilities</b> □ <b>0.82%</b>                      | <b>359,212</b>      |
| <b>Liquidation Value of Preferred Stock</b> □ <b>(56.93%)</b> | <b>(25,000,000)</b> |

|                                            |                   |
|--------------------------------------------|-------------------|
| <b>Net Assets Applicable to 2,982,200</b>  |                   |
| <b>Shares Outstanding</b> □ <b>100.00%</b> | <b>43,916,133</b> |

|                                   |         |
|-----------------------------------|---------|
| Net Asset Value Per Common Share  |         |
| (\$43,916,133 / 2,982,200 Shares) | \$14.73 |

#### **Components of Net Assets at March 31, 2007:**

|                                                    |            |
|----------------------------------------------------|------------|
| Common stock, \$0.01 par value, 200 million shares |            |
| authorized to the Fund                             | 40,838,893 |
| Accumulated net realized gain on investments       | 237,439    |
| Net unrealized appreciation of investments         | 2,839,801  |
| Total net assets                                   | 43,916,133 |

§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 9 in □Notes to Financial Statements.□

Variable rate security. The rate shown is the rate as of March 31, 2007.

#### **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  
 LOC □ Letter of Credit  
 MBIA □ Insured by the Municipal Bond Insurance Association  
 RADIAN □ Insured by Radian Asset Assurance  
 XLCA □ Insured by XL Capital Assurance  
 See accompanying notes

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#### **Delaware Investments Colorado Insured Municipal Income Fund, Inc.**

March 31, 2007

|                                                                                                         | Principal<br>Amount | Value        |
|---------------------------------------------------------------------------------------------------------|---------------------|--------------|
| <b>Municipal Bonds</b> □ <b>148.74%</b>                                                                 |                     |              |
| Education Revenue Bonds □ 29.87%                                                                        |                     |              |
| Boulder County Development<br>Revenue Refunding<br>(University Corporation for<br>Atmospheric Research) |                     |              |
| 5.00% 9/1/26 (MBIA)                                                                                     | \$4,500,000         | \$ 4,655,610 |
| Colorado Educational &<br>Cultural Facilities Authority                                                 |                     |              |

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|                                                                                                          |           |            |
|----------------------------------------------------------------------------------------------------------|-----------|------------|
| (Johnson & Wales University<br>Project) Series A                                                         |           |            |
| 5.00% 4/1/28 (XLCA)                                                                                      | 3,000,000 | 3,125,370  |
| (Littleton School Project)                                                                               |           |            |
| 4.375% 1/15/36 (CIFG)                                                                                    | 1,200,000 | 1,173,012  |
| (University of Colorado<br>Foundation Project)                                                           |           |            |
| 5.00% 7/1/27 (AMBAC)                                                                                     | 4,000,000 | 4,185,640  |
| (University of Northern<br>Colorado) Series A                                                            |           |            |
| 5.00% 7/1/31 (MBIA)                                                                                      | 2,500,000 | 2,578,475  |
| Colorado State Board of Governors<br>(Colorado University) Series B                                      |           |            |
| 5.00% 3/1/35 (AMBAC)                                                                                     | 1,800,000 | 1,892,052  |
| University of Northern Colorado<br>Revenue Refunding                                                     |           |            |
| 5.00% 6/1/35 (FSA)                                                                                       | 4,000,000 | 4,214,880  |
|                                                                                                          |           | 21,825,039 |
| Electric Revenue Bonds □ 1.48%                                                                           |           |            |
| Arkansas River Power Authority<br>Revenue Improvement                                                    |           |            |
| 5.25% 10/1/32 (XLCA)                                                                                     | 1,000,000 | 1,081,170  |
|                                                                                                          |           | 1,081,170  |
| Health Care Revenue Bonds □ 5.36%                                                                        |           |            |
| Colorado Health Facilities<br>Authority Revenue                                                          |           |            |
| (North Colorado Medical<br>Center) 5.95% 5/15/12 (MBIA)                                                  |           |            |
|                                                                                                          | 1,250,000 | 1,255,388  |
| (Porter Place) Series A                                                                                  |           |            |
| 6.00% 1/20/36 (GNMA)                                                                                     | 2,515,000 | 2,657,902  |
|                                                                                                          |           | 3,913,290  |
| Lease Revenue Bonds □ 13.11%                                                                             |           |            |
| Colorado Educational & Cultural<br>Facilities Authority Revenue<br>Refunding (Bromley School<br>Project) |           |            |
| 5.25% 9/15/32 (XLCA)                                                                                     | 1,000,000 | 1,074,450  |
| Denver Convention Center Hotel<br>Authority Refunding Series A                                           |           |            |
| 5.00% 12/1/35 (XLCA)                                                                                     | 5,000,000 | 5,258,350  |
| Glendale Certificates of<br>Participation                                                                |           |            |
| 5.00% 12/1/25 (XLCA)                                                                                     | 1,500,000 | 1,597,545  |
| Westminster Building Authority<br>Certificates of Participation                                          |           |            |
| 5.25% 12/1/22 (MBIA)                                                                                     | 1,555,000 | 1,646,465  |
|                                                                                                          |           | 9,576,810  |
| Local General Obligation Bonds □ 14.55%                                                                  |           |            |
| Adams & Arapahoe Counties Joint<br>School District #28J (Aurora)                                         |           |            |
| Series A 5.25% 12/1/25 (MBIA)                                                                            | 2,000,000 | 2,181,140  |

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|                                                                                     |           |            |
|-------------------------------------------------------------------------------------|-----------|------------|
| Adams County School District #14                                                    |           |            |
| 5.125% 12/1/31 (FSA)                                                                | 500,000   | 537,980    |
| Arapahoe County Water & Wastewater Public Improvement District Refunding Series A   |           |            |
| 5.125% 12/1/32 (MBIA)                                                               | 1,000,000 | 1,058,590  |
| Bowles Metropolitan District                                                        |           |            |
| Refunding 5.00% 12/1/33 (FSA)                                                       | 2,000,000 | 2,102,320  |
| Centennial Downs Metropolitan District Refunding                                    |           |            |
| 5.00% 12/1/28 (AMBAC)                                                               | 1,000,000 | 1,055,630  |
| Douglas County School District #Re-1 (Douglas & Elbert Counties)                    |           |            |
| 5.00% 12/15/21(MBIA)                                                                | 1,000,000 | 1,051,890  |
| Garfield County School District #Re-2 5.00% 12/1/25 (FSA)                           | 1,000,000 | 1,071,610  |
| Green Valley Ranch Metropolitan District Refunding                                  |           |            |
| 5.75% 12/1/19 (AMBAC)                                                               | 1,000,000 | 1,051,470  |
| Sand Creek Metropolitan District Refunding & Improvement                            |           |            |
| 5.00% 12/1/31 (XLCA)                                                                | 500,000   | 521,405    |
|                                                                                     |           | 10,632,035 |
| \$Pre-Refunded Bonds □ 49.08%                                                       |           |            |
| Auraria Higher Education Center Parking Facilities System Revenue                   |           |            |
| 5.50% 4/1/26-10 (AMBAC)                                                             | 2,485,000 | 2,615,711  |
| Aurora Certificates of Participation                                                |           |            |
| 5.50% 12/1/30-10 (AMBAC)                                                            | 2,000,000 | 2,123,420  |
| Burlingame Multifamily Housing Revenue Series A                                     |           |            |
| 6.00% 11/1/29-09 (MBIA)                                                             | 2,290,000 | 2,442,720  |
| Colorado Educational & Cultural Facilities Authority (University of Denver Project) |           |            |
| 5.50% 3/1/21-11 (AMBAC)                                                             | 3,200,000 | 3,412,480  |
| Series B 5.25% 3/1/35-16 (FGIC)                                                     | 1,500,000 | 1,657,815  |
| Colorado Water Resources & Power Development Authority Revenue Series A             |           |            |
| 5.80% 11/1/20-10 (FGIC)                                                             | 1,220,000 | 1,308,011  |
| Denver City & County Excise Tax Revenue (Colorado Convention Center Project)        |           |            |
| Series A 5.00% 9/1/20-11 (FSA)                                                      | 6,500,000 | 6,813,949  |

(continues) 13

# Statements of net assets

## Delaware Investments Colorado Insured Municipal Income Fund, Inc.

|                                                                                                    | Principal<br>Amount | Value      |
|----------------------------------------------------------------------------------------------------|---------------------|------------|
| <b>Municipal Bonds</b> (continued)                                                                 |                     |            |
| §Pre-Refunded Bonds (continued)                                                                    |                     |            |
| Denver Convention Center Series A                                                                  |                     | \$         |
| 5.00% 12/1/33-13 (XLCA)                                                                            | \$3,000,000         | 3,220,230  |
| E-470 Public Highway Authority<br>Series A                                                         |                     |            |
| 5.75% 9/1/29-10 (MBIA)                                                                             | 3,000,000           | 3,250,170  |
| 5.75% 9/1/35-10 (MBIA)                                                                             | 1,700,000           | 1,841,763  |
| Eagle County Certificates of<br>Participation 5.40% 12/1/18-09<br>(MBIA)                           | 1,000,000           | 1,054,070  |
| Garfield Pitkin & Eagle County<br>School District #Re-1 Series A<br>(Roaring Fork County) Series A |                     |            |
| 5.00% 12/15/27-14 (FSA)                                                                            | 1,500,000           | 1,625,055  |
| Lakewood Certificates of Participation<br>5.375% 12/1/22-10 (AMBAC)                                | 2,000,000           | 2,118,440  |
| Pueblo County (Library District<br>Project) 5.80% 11/1/19-09<br>(AMBAC)                            | 1,395,000           | 1,469,563  |
| Weld & Adams Counties School<br>District #Re-3]                                                    |                     |            |
| 5.00% 12/15/24-14 (FSA)                                                                            | 830,000             | 899,197    |
|                                                                                                    |                     | 35,852,594 |
| Special Tax Revenue Bonds □ 5.54%                                                                  |                     |            |
| Broomfield County Sales & Use<br>Tax Revenue Refunding &<br>Improvement Series A                   |                     |            |
| 5.00% 12/1/31 (AMBAC)                                                                              | 650,000             | 682,312    |
| Golden Sales & Use Tax Revenue<br>Improvement Series B                                             |                     |            |
| 5.10% 12/1/20 (AMBAC)                                                                              | 1,000,000           | 1,055,750  |
| Gypsum Sales Tax & General<br>Funding Revenue 5.25% 6/1/30<br>(Assured Gty)                        | 1,000,000           | 1,083,060  |
| Regional Transportation District<br>Sales Tax Revenue (Fastracks<br>Project) Series A              |                     |            |
| 4.375% 11/1/31 (AMBAC)                                                                             | 1,250,000           | 1,227,775  |
|                                                                                                    |                     | 4,048,897  |
| Transportation Revenue Bonds □ 18.76%                                                              |                     |            |
| Denver City & County<br>Airport Revenue                                                            |                     |            |

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|                                                                                                                                                                  |           |                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----------------------|
| Series A 5.00% 11/15/25 (FGIC)                                                                                                                                   | 1,000,000 | 1,063,160            |
| Series E 5.25% 11/15/23 (MBIA)                                                                                                                                   | 7,500,000 | 7,636,650            |
| Northwest Parkway Public Highway<br>Authority Series A<br>5.25% 6/15/41 (FSA)                                                                                    | 4,150,000 | 4,419,086            |
| Puerto Rico Commonwealth<br>Highway & Transportation<br>Authority Revenue<br>Refunding Series N<br>5.25% 7/1/39 (FGIC)                                           | 500,000   | 584,855              |
|                                                                                                                                                                  |           | 13,703,751           |
| Water & Sewer Revenue Bonds □ 10.99%                                                                                                                             |           |                      |
| Colorado Water Resources &<br>Power Development Authority<br>Small Revenue Series A<br>5.80% 11/1/20 (FGIC)                                                      | 780,000   | 833,836              |
| Colorado Water Resources &<br>Power Development Authority<br>Water Resources Revenue<br>(Parker Water & Sanitation<br>District) Series D<br>5.125% 9/1/34 (MBIA) | 1,500,000 | 1,589,475            |
| 5.25% 9/1/43 (MBIA)                                                                                                                                              | 2,000,000 | 2,137,220            |
| Lafayette Water Revenue Series A<br>5.00% 12/1/27 (MBIA)                                                                                                         | 1,100,000 | 1,162,458            |
| Ute Water Conservancy District<br>Revenue 5.75% 6/15/20 (MBIA)                                                                                                   | 2,155,000 | 2,304,815            |
|                                                                                                                                                                  |           | 8,027,804            |
| <b>Total Municipal Bonds</b><br>(cost \$103,516,553)                                                                                                             |           | <b>108,661,390</b>   |
| <b>Short-Term Investments □ 1.50%</b>                                                                                                                            |           |                      |
| □ Variable Rate Demand Notes □ 1.50%                                                                                                                             |           |                      |
| Colorado Housing & Finance<br>Authority Class I AA3<br>3.66% 5/1/36                                                                                              | 1,100,000 | 1,100,000            |
| <b>Total Short-Term Investments</b><br>(cost \$1,100,000)                                                                                                        |           | <b>1,100,000</b>     |
| <b>Total Value of Securities □ 150.24%</b><br>(cost \$104,616,553)                                                                                               |           | <b>109,761,390</b>   |
| <b>Receivables and Other Assets</b><br><b>Net of Liabilities □ 4.51%</b>                                                                                         |           | <b>3,294,347</b>     |
| <b>Liquidation Value of Preferred Stock □ (54.75%)</b>                                                                                                           |           | <b>(40,000,000)</b>  |
| <b>Net Assets Applicable to 4,837,100</b>                                                                                                                        |           |                      |
| <b>Shares Outstanding □ 100.00%</b>                                                                                                                              |           | <b>\$ 73,055,737</b> |
| Net Asset Value Per Common Share<br>(\$73,055,737 / 4,837,100 Shares)                                                                                            |           | \$15.10              |
| <b>Components of Net Assets at March 31, 2007</b>                                                                                                                |           |                      |

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Common stock, \$0.01 par value, 200 million shares

|                                              |            |
|----------------------------------------------|------------|
|                                              | \$         |
| authorized to the Fund                       | 67,238,110 |
| Undistributed net investment income          | 264,788    |
| Accumulated net realized gain on investments | 408,002    |
| Net unrealized appreciation of investments   | 5,144,837  |
|                                              | \$         |
| Total net assets                             | 73,055,737 |

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§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 9 in "Notes to Financial Statements."

Variable rate security. The rate shown is the rate as of March 31, 2007.

## 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

(continues) 15

## Statements of net assets

### Delaware Investments Florida Insured Municipal Income Fund

March 31, 2007

|                                                                                        | Principal<br>Amount | Value       |
|----------------------------------------------------------------------------------------|---------------------|-------------|
| <b>Municipal Bonds □ 151.21%</b>                                                       |                     |             |
| Education Revenue Bonds □ 3.56%                                                        |                     |             |
| Florida Agriculture &<br>Mechanical University Revenue<br>(Student Apartment Facility) |                     |             |
| 5.625% 7/1/21 (MBIA)                                                                   | \$1,250,000         | \$1,256,075 |
|                                                                                        |                     | 1,256,075   |
| <b>Electric Revenue Bonds □ 5.81%</b>                                                  |                     |             |
| JEA Electric Systems Revenue                                                           |                     |             |
| Series 3-A 5.00% 10/1/34 (FSA)                                                         | 2,000,000           | 2,047,660   |
|                                                                                        |                     | 2,047,660   |
| Health Care Revenue Bonds □ 18.20%                                                     |                     |             |

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|                                                                                            |           |           |
|--------------------------------------------------------------------------------------------|-----------|-----------|
| Escambia County Health Facilities Authority (Florida Health Care Facilities - VHA Program) |           |           |
| 5.95% 7/1/20 (AMBAC)                                                                       | 355,000   | 368,774   |
| Lee County Memorial Health System Board of Directors                                       |           |           |
| Series A 5.00% 4/1/20 (FSA)                                                                | 1,000,000 | 1,036,440 |
| Miami-Dade County Public Facilities Revenue (Jackson Health Systems) Series A              |           |           |
| 5.00% 6/1/35 (MBIA)                                                                        | 1,500,000 | 1,572,135 |
| Orange County Health Facilities Authority Revenue (Orlando Regional Healthcare) Series A   |           |           |
| 6.25% 10/1/18 (MBIA)                                                                       | 2,000,000 | 2,388,160 |
| South Broward Hospital Refunding                                                           |           |           |
| 5.00% 5/1/35 (MBIA)                                                                        | 1,000,000 | 1,050,770 |
|                                                                                            |           | 6,416,279 |
| Housing Revenue Bonds □ 23.12%                                                             |           |           |
| Broward County Housing Finance Authority (St. Croix Apartments Project) Series A           |           |           |
| 5.45% 11/1/36 (FSA) (AMT)                                                                  | 935,000   | 964,658   |
| Florida Housing Finance Agency (Homeowner Mortgage) Series 2 5.90% 7/1/29 (MBIA) (AMT)     | 410,000   | 416,535   |
| (Leigh Meadows Apartments HUD) Series N 6.30% 9/1/36 (AMBAC) (AMT)                         | 2,510,000 | 2,554,579 |
| (Woodbridge Apartments Project) Series L                                                   |           |           |
| 6.05% 12/1/16 (AMBAC) (AMT)                                                                | 1,120,000 | 1,142,310 |
| 6.25% 6/1/36 (AMBAC) (AMT)                                                                 | 1,500,000 | 1,530,150 |
| Volusia County Multifamily Housing Finance Authority (San Marco Apartments) Series A       |           |           |
| 5.60% 1/1/44 (FSA) (AMT)                                                                   | 1,500,000 | 1,544,565 |
|                                                                                            |           | 8,152,797 |
| Lease Revenue Bonds □ 20.02%                                                               |           |           |
| Broward County School Board Certificates of Participation Series A 5.25% 7/1/24 (FSA)      | 1,000,000 | 1,062,470 |
| Florida State Municipal Loan Council Revenue Series A                                      |           |           |
| 5.00% 2/1/35 (MBIA)                                                                        | 2,000,000 | 2,094,080 |
| Orange County School Board Certificates of Participation Series A 5.00% 8/1/27 (MBIA)      | 1,250,000 | 1,294,575 |
| Palm Beach County School Board Certificates of Participation                               |           |           |

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|                                                                                         |           |           |
|-----------------------------------------------------------------------------------------|-----------|-----------|
| Series D 5.00% 8/1/28 (FSA)                                                             | 1,500,000 | 1,552,755 |
| South Florida Water Management<br>District Certificate of<br>Participation              |           |           |
| 5.00% 10/1/36 (AMBAC)                                                                   | 1,000,000 | 1,053,740 |
|                                                                                         |           | 7,057,620 |
| Local General Obligation Bonds □ 3.87%                                                  |           |           |
| Julington Creek Plantation<br>Community Development<br>District Special Assessment      |           |           |
| 5.00% 5/1/29 (MBIA)                                                                     | 295,000   | 306,824   |
| Port St. Lucie 5.00% 7/1/35 (MBIA)                                                      | 1,000,000 | 1,057,600 |
|                                                                                         |           | 1,364,424 |
| §Pre-Refunded Bonds □ 9.15%                                                             |           |           |
| Florida State Board of Education<br>(Capital Outlay Public<br>Education) Series C 6.00% |           |           |
| 6/1/21-10 (FGIC)                                                                        | 2,000,000 | 2,158,120 |
| Tampa Utility Tax Improvement<br>Series A 6.125% 10/1/19-09<br>(AMBAC)                  | 1,000,000 | 1,068,940 |
|                                                                                         |           | 3,227,060 |
| Special Tax Revenue Bonds □ 26.35%                                                      |           |           |
| Flagler County Capital<br>Improvements Revenue                                          |           |           |
| 5.00% 10/1/35 (MBIA)                                                                    | 1,000,000 | 1,052,100 |
| Florida State Department of<br>Transportation (Right of Way)                            |           |           |
| 5.00% 7/1/31 (FGIC)                                                                     | 1,525,000 | 1,606,816 |
| Jacksonville Sales Tax Revenue                                                          |           |           |
| 5.00% 10/1/30 (MBIA)                                                                    | 1,500,000 | 1,583,385 |
| Jacksonville Transportation<br>Revenue 5.25% 10/1/29 (MBIA)                             | 2,000,000 | 2,110,519 |
| ¶Miami-Dade County Special<br>Obligation (Capital Appreciation<br>& Income) Series B    |           |           |
| 5.00% 10/1/35 (MBIA)                                                                    | 2,000,000 | 1,887,560 |
| Seminole County Sales Tax Revenue<br>Series A 5.00% 10/1/31 (MBIA)                      | 1,000,000 | 1,048,320 |
|                                                                                         |           | 9,288,700 |

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|                                                               | Principal<br>Amount | Value |
|---------------------------------------------------------------|---------------------|-------|
| <b>Municipal Bonds</b> (continued)                            |                     |       |
| State General Obligation Bonds □ 5.97%                        |                     |       |
| Florida State Board of Education<br>Public Education (Capital |                     |       |

|                                                        |             |                     |
|--------------------------------------------------------|-------------|---------------------|
| Outlay) Series E 5.00% 6/1/34                          |             |                     |
| (AMBAC)                                                | \$2,000,000 | 2,105,460           |
|                                                        |             | 2,105,460           |
| <b>Transportation Revenue Bonds □ 15.51%</b>           |             |                     |
| Florida Ports Financing                                |             |                     |
| Commission Revenue (State                              |             |                     |
| Transportation Trust Fund)                             |             |                     |
| 5.375% 6/1/27 (MBIA) (AMT)                             | 1,000,000   | 1,012,030           |
| Miami-Dade County Aviation                             |             |                     |
| Revenue (Miami International                           |             |                     |
| Airport) Series B                                      |             |                     |
| 5.00% 10/1/37 (FGIC)                                   | 2,250,000   | 2,350,823           |
| Miami-Dade County Expressway                           |             |                     |
| Authority Toll Systems Revenue                         |             |                     |
| 5.00% 7/1/37 (AMBAC)                                   | 1,000,000   | 1,057,210           |
| Series B 5.00% 7/1/33 (FGIC)                           | 1,000,000   | 1,046,640           |
|                                                        |             | 5,466,703           |
| <b>Water &amp; Sewer Revenue Bonds □ 19.65%</b>        |             |                     |
| Cape Coral Water & Sewer                               |             |                     |
| Revenue 4.75% 10/1/31                                  |             |                     |
| (AMBAC)                                                | 1,000,000   | 1,028,120           |
| JEA Florida Water & Sewer Systems                      |             |                     |
| Revenue Sub-Second Crossover                           |             |                     |
| 5.00% 10/1/25 (MBIA)                                   | 1,000,000   | 1,054,650           |
| Riviera Beach Utilities Special                        |             |                     |
| District Water & Sewer Revenue                         |             |                     |
| 5.00% 10/1/34 (FGIC)                                   | 1,200,000   | 1,258,632           |
| Village Center Community                               |             |                     |
| Development District Utility                           |             |                     |
| Revenue 5.00% 10/1/36 (MBIA)                           | 1,500,000   | 1,564,290           |
| Winter Haven Utilities Systems                         |             |                     |
| Revenue 5.00% 10/1/30 (MBIA)                           | 1,915,000   | 2,022,891           |
|                                                        |             | 6,928,583           |
| <b>Total Municipal Bonds</b>                           |             |                     |
| (cost \$51,630,697)                                    |             | <b>53,311,361</b>   |
| <b>Short-Term Investments □ 3.40%</b>                  |             |                     |
| Variable Rate Demand Notes □ 3.40%                     |             |                     |
| Orange County Health Facilities                        |             |                     |
| Authority Revenue Series B                             |             |                     |
| 3.80% 10/1/41 (FGIC)                                   | 1,200,000   | 1,200,000           |
| <b>Total Short-Term Investments</b>                    |             |                     |
| (cost \$1,200,000)                                     |             | <b>1,200,000</b>    |
| <b>Total Value of Securities □ 154.61%</b>             |             |                     |
| (cost \$52,830,697)                                    |             | <b>\$54,511,361</b> |
| <b>Receivables and Other Assets</b>                    |             |                     |
| <b>Net of Liabilities □ 2.11%</b>                      |             | <b>744,964</b>      |
| <b>Liquidation Value of Preferred Stock □ (56.72%)</b> |             | <b>(20,000,000)</b> |
| <b>Net Assets Applicable to 2,422,200</b>              |             |                     |
| <b>Shares Outstanding □ 100.00%</b>                    |             |                     |

\$  
35,256,325

|                                   |         |
|-----------------------------------|---------|
| Net Asset Value Per Common Share  |         |
| (\$35,256,325 / 2,422,200 Shares) | \$14.56 |

**Components of Net Assets at March 31, 2007:**

|                                                  |              |
|--------------------------------------------------|--------------|
| Common stock, \$0.01 par value, unlimited shares |              |
| authorized to the Fund                           | \$33,361,389 |
| Undistributed net investment income              | 71,820       |
| Accumulated net realized gain on investments     | 142,452      |
| Net unrealized appreciation of investments       | 1,680,664    |
| Total net assets                                 | \$35,256,325 |

¶Step 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 9 in ¶Notes to Financial Statements.¶

Variable rate security. The rate shown is the rate as of March 31, 2007.

**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  
 MBIA ¶ Insured by the Municipal Bond Insurance Association  
 VHA ¶ Veterans Health Administration  
 See accompanying notes

(continues) 17

## Statements of net assets

**Delaware Investments Minnesota Municipal Income Fund II, Inc.**

March 31, 2007

|                                                                                                          | Principal<br>Amount | Value      |
|----------------------------------------------------------------------------------------------------------|---------------------|------------|
| <b>Municipal Bonds ¶ 158.45%</b>                                                                         |                     |            |
| Corporate-Backed Revenue Bonds ¶ 6.60%                                                                   |                     |            |
| Anoka County Solid Waste<br>Disposal Revenue (National<br>Rural Utility) Series A<br>6.95% 12/1/08 (AMT) | \$ 300,000          | \$ 308,481 |
| Cloquet Pollution Control<br>Revenue Refunding (Potlatch<br>Corporation Project)<br>5.90% 10/1/26        | 5,500,000           | 5,642,945  |

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|                                      |           |            |
|--------------------------------------|-----------|------------|
| Laurentian Energy Authority I        |           |            |
| Cogeneration Revenue                 |           |            |
| Series A 5.00% 12/1/21               | 3,325,000 | 3,398,715  |
| Minneapolis Community                |           |            |
| Development Agency                   |           |            |
| Supported (Limited Tax               |           |            |
| Common Bond Fund) Series A           |           |            |
| 6.75% 12/1/25                        |           |            |
| (LOC □ US Bank NA) (AMT)             | 865,000   | 921,952    |
| Sartell Environmental Improvement    |           |            |
| Revenue Refunding                    |           |            |
| (International Paper)                |           |            |
| Series A 5.20% 6/1/27                | 1,000,000 | 1,032,550  |
|                                      |           | 11,304,643 |
| Education Revenue Bonds □ 8.65%      |           |            |
| Minneapolis Art Center Facilities    |           |            |
| Revenue (Walker Art Center           |           |            |
| Project) 5.125% 7/1/21               | 4,250,000 | 4,419,320  |
| Minnesota State Higher Education     |           |            |
| Facilities Authority Revenue         |           |            |
| (Augsburg College) Series 6-J1       |           |            |
| 5.00% 5/1/28                         | 750,000   | 775,665    |
| (College of St. Benedict) Series 5-W |           |            |
| 5.00% 3/1/20                         | 2,000,000 | 2,070,300  |
| 5.25% 3/1/24                         | 300,000   | 314,424    |
| (St. Catherine College)              |           |            |
| Series 5-N1 5.375% 10/1/32           | 1,500,000 | 1,576,770  |
| (St. Mary's University)              |           |            |
| Series 5-U 4.80% 10/1/23             | 1,400,000 | 1,431,052  |
| (St. Thomas University) Series 5-Y   |           |            |
| 5.00% 10/1/24                        | 1,000,000 | 1,042,860  |
| 5.25% 10/1/34                        | 1,500,000 | 1,593,030  |
| St. Cloud Housing & Redevelopment    |           |            |
| Authority Revenue (State             |           |            |
| University Foundation Project)       |           |            |
| 5.00% 5/1/23                         | 1,000,000 | 1,041,140  |
| University of the Virgin Islands     |           |            |
| Improvement Series A                 |           |            |
| 5.375% 6/1/34                        | 500,000   | 531,410    |
|                                      |           | 14,795,971 |
| Electric Revenue Bonds □ 21.06%      |           |            |
| Chaska Electric Revenue Refunding    |           |            |
| (Generating Facilities) Series A     |           |            |
| 5.25% 10/1/25                        | 250,000   | 267,040    |
| Minnesota State Municipal Power      |           |            |
| Agency Electric Revenue              |           |            |
| Series A                             |           |            |
| 5.00% 10/1/34                        | 6,500,000 | 6,723,795  |
| 5.25% 10/1/19                        | 1,610,000 | 1,715,375  |
| Southern Minnesota Municipal         |           |            |
| Power Agency Supply                  |           |            |

|                                     |            |            |
|-------------------------------------|------------|------------|
| System Revenue                      |            |            |
| & <sup>1</sup> 5.25% 1/1/14 (AMBAC) | 14,000,000 | 15,254,750 |
| & <sup>2</sup> 5.25% 1/1/15 (AMBAC) | 3,000,000  | 3,294,840  |
| Series A 5.25% 1/1/16 (AMBAC)       | 1,500,000  | 1,656,465  |
| Western Minnesota Municipal         |            |            |
| Power Agency Supply Revenue         |            |            |
| Series A 5.00% 1/1/30 (MBIA)        | 6,790,000  | 7,128,346  |
|                                     |            | 36,040,611 |
| Escrowed to Maturity Bonds □ 17.13% |            |            |
| Dakota/Washington Counties          |            |            |
| Housing & Redevelopment             |            |            |
| Authority Bloomington               |            |            |
| Mortgage Single Family              |            |            |
| Residential Mortgage Revenue        |            |            |
| 8.375% 9/1/21 (GNMA) (FHA)          |            |            |
| (VA) (AMT)                          | 8,055,000  | 11,657,760 |
| Southern Minnesota Municipal        |            |            |
| Power Agency Supply System          |            |            |
| Revenue Series B                    |            |            |
| 5.50% 1/1/15 (AMBAC)                | 390,000    | 413,150    |
| 5.75% 1/1/11 (FGIC)                 | 1,000,000  | 1,040,500  |
| St. Paul Housing &                  |            |            |
| Redevelopment Authority Sales       |            |            |
| Tax (Civic Center Project)          |            |            |
| 5.55% 11/1/23                       | 2,300,000  | 2,379,695  |
| 5.55% 11/1/23 (MBIA)                | 4,200,000  | 4,345,530  |
| University of Minnesota Hospital &  |            |            |
| Clinics 6.75% 12/1/16               | 2,580,000  | 3,091,408  |
| University of Minnesota Series A    |            |            |
| 5.50% 7/1/21                        | 4,000,000  | 4,604,320  |
| Western Minnesota Municipal         |            |            |
| Power Agency Supply Revenue         |            |            |
| Series A 6.625% 1/1/16              | 1,535,000  | 1,777,131  |
|                                     |            | 29,309,494 |

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|                                    | Principal<br>Amount | Value        |
|------------------------------------|---------------------|--------------|
| <b>Municipal Bonds</b> (continued) |                     |              |
| Health Care Revenue Bonds □ 21.58% |                     |              |
| Bemidji Health Care Facilities     |                     |              |
| First Meeting Revenue (North       |                     |              |
| Country Health Services)           |                     |              |
| 5.00% 9/1/24 (RADIANT)             | \$1,500,000         | \$ 1,546,935 |
| Duluth Economic Development        |                     |              |
| Authority Health Care Facilities   |                     |              |
| Revenue (Benedictine               |                     |              |
| Health System-St. Mary's           |                     |              |

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|                                       |           |            |
|---------------------------------------|-----------|------------|
| Hospital) 5.25% 2/15/33               | 5,000,000 | 5,217,849  |
| Glencoe Health Care Facilities        |           |            |
| Revenue (Glencoe Regional             |           |            |
| Health Services Project)              |           |            |
| 5.00% 4/1/25                          | 2,000,000 | 2,062,520  |
| Maple Grove Health Care Facilities    |           |            |
| Revenue (North Memorial               |           |            |
| Health Care) 5.00% 9/1/29             | 1,515,000 | 1,576,161  |
| Minneapolis Health Care               |           |            |
| System Revenue                        |           |            |
| (Allina Health Systems) Series A      |           |            |
| 5.75% 11/15/32                        | 3,200,000 | 3,440,224  |
| (Fairview Health Services) Series D   |           |            |
| 5.00% 11/15/30 (AMBAC)                | 1,500,000 | 1,581,015  |
| 5.00% 11/15/34 (AMBAC)                | 3,250,000 | 3,418,318  |
| Minnesota Agricultural & Economic     |           |            |
| Development Board Revenue             |           |            |
| Refunding (Fairview Health            |           |            |
| Care System) Series A                 |           |            |
| 5.75% 11/15/26 (MBIA)                 | 100,000   | 103,078    |
| 6.375% 11/15/29                       | 195,000   | 210,210    |
| Northfield Hospital Revenue           |           |            |
| 5.375% 11/1/31                        | 750,000   | 796,410    |
| Rochester Health Care Facilities      |           |            |
| Revenue                               |           |            |
| (Mayo Clinic) 5.00% 11/15/36          | 2,000,000 | 2,093,120  |
| (Mayo Foundation) Series B            |           |            |
| 5.50% 11/15/27                        | 4,365,000 | 4,484,688  |
| Shakopee Health Care Facilities       |           |            |
| Revenue (St. Francis Regional         |           |            |
| Medical Center) 5.25% 9/1/34          | 1,560,000 | 1,632,556  |
| St. Louis Park Health Care Facilities |           |            |
| Revenue (Park Nicollet Health         |           |            |
| Services) Series B 5.25% 7/1/30       | 1,250,000 | 1,316,463  |
| St. Paul Housing & Redevelopment      |           |            |
| Authority Health Care Facilities      |           |            |
| Revenue                               |           |            |
| (Healthpartners Obligation            |           |            |
| Group Project) 5.25% 5/15/36          | 2,000,000 | 2,103,260  |
| (Regions Hospital Project)            |           |            |
| 5.30% 5/15/28                         | 1,000,000 | 1,016,840  |
| St. Paul Housing & Redevelopment      |           |            |
| Authority Revenue                     |           |            |
| (Franciscan Health Project-           |           |            |
| Elderly) 5.40% 11/20/42               |           |            |
| (GNMA) (FHA)                          | 2,700,000 | 2,846,205  |
| Waconia Health Care Facilities        |           |            |
| Revenue (Ridgeview Medical            |           |            |
| Center Project) Series A              |           |            |
| 6.10% 1/1/19 (RADIANT)                | 1,405,000 | 1,483,146  |
|                                       |           | 36,928,998 |

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Housing Revenue Bonds □ 9.76%   |           |           |
| Chanhasen Multifamily Housing   |           |           |
| Revenue Refunding (Heritage     |           |           |
| Park Apartments                 |           |           |
| Project HUD Section 8)          |           |           |
| 6.20% 7/1/30 (FHA) (AMT)        | 1,105,000 | 1,128,083 |
| Dakota County Housing &         |           |           |
| Redevelopment Authority Single  |           |           |
| Family Mortgage Revenue         |           |           |
| 5.85% 10/1/30 (GNMA)            |           |           |
| (FNMA) (AMT)                    | 16,000    | 16,304    |
| Harmony Multifamily Housing     |           |           |
| Revenue HUD Section 8           |           |           |
| (Zedakah Foundation Project)    |           |           |
| Series A 5.95% 9/1/20           | 1,000,000 | 974,550   |
| Minneapolis Multifamily Housing |           |           |
| Revenue                         |           |           |
| (Gaar Scott Loft Project)       |           |           |
| 5.95% 5/1/30 (AMT)              | 950,000   | 986,509   |
| (Olson Townhomes Project)       |           |           |
| 6.00% 12/1/19 (AMT)             | 890,000   | 890,223   |
| (Seward Towers Project)         |           |           |
| 5.00% 5/20/36 (GNMA)            | 2,000,000 | 2,068,100 |
| (Sumner Housing Project)        |           |           |
| Series A 5.15% 2/20/45          |           |           |
| (GNMA) (AMT)                    | 3,575,000 | 3,653,221 |
| Minnesota State Housing Finance |           |           |
| Agency Revenue (Rental          |           |           |
| Housing) Series D               |           |           |
| 5.95% 2/1/18 (MBIA)             | 130,000   | 130,235   |
| Minnesota State Housing Finance |           |           |
| Agency Revenue                  |           |           |
| (Residential Housing)           |           |           |
| Series B-1 5.35% 1/1/33 (AMT)   | 1,775,000 | 1,819,215 |
| Series I 5.15% 7/1/38 (AMT)     | 1,000,000 | 1,028,440 |
| (Single Family Mortgage)        |           |           |
| Series A 5.00% 2/1/35 (AMT)     | 1,000,000 | 1,014,840 |
| Series J 5.90% 7/1/28 (AMT)     | 1,035,000 | 1,061,879 |

(continues) 19

## Statements of net assets

Delaware Investments Minnesota Municipal Income Fund II, Inc.

|                                    | Principal |       |
|------------------------------------|-----------|-------|
|                                    | Amount    | Value |
| <b>Municipal Bonds</b> (continued) |           |       |
| Housing Revenue Bonds (continued)  |           |       |

|                                                                                         |             |              |
|-----------------------------------------------------------------------------------------|-------------|--------------|
| Southeastern Minnesota                                                                  |             |              |
| Multi-County Housing & Redevelopment Authority                                          |             |              |
| Revenue (Winona County)                                                                 |             |              |
| 5.35% 1/1/28                                                                            | \$1,170,000 | \$ 1,171,568 |
| Washington County Housing & Redevelopment Authority                                     |             |              |
| Revenue Refunding                                                                       |             |              |
| (Woodland Park Apartments Project) 4.70% 10/1/32                                        |             |              |
|                                                                                         | 750,000     | 757,785      |
|                                                                                         |             | 16,700,952   |
| Lease Revenue Bonds □ 10.42%                                                            |             |              |
| Andover Economic Development Authority Public Facilities                                |             |              |
| Lease Revenue (Andover Community Center)                                                |             |              |
| 5.125% 2/1/24                                                                           | 500,000     | 525,390      |
| 5.20% 2/1/29                                                                            | 1,000,000   | 1,055,430    |
| Puerto Rico Public Buildings Authority Revenue (Guaranteed Government Facilities Bonds) |             |              |
| Series D 5.25% 7/1/27                                                                   | 530,000     | 555,827      |
| St. Paul Port Authority Lease Revenue                                                   |             |              |
| (Cedar Street Office Building Project)                                                  |             |              |
| 5.00% 12/1/22                                                                           | 2,385,000   | 2,512,192    |
| 5.25% 12/1/27                                                                           | 4,800,000   | 5,077,680    |
| Series 3-12 5.125% 12/1/27                                                              | 1,000,000   | 1,056,660    |
| (Robert Street Office Building Project)                                                 |             |              |
| Series 3-11 5.00% 12/1/27                                                               | 3,045,000   | 3,195,179    |
| Series 9 5.25% 12/1/27                                                                  | 2,000,000   | 2,122,980    |
| Virginia Housing & Redevelopment Authority Health Care Facility                         |             |              |
| Lease Revenue                                                                           |             |              |
| 5.25% 10/1/25                                                                           | 680,000     | 714,476      |
| 5.375% 10/1/30                                                                          | 965,000     | 1,020,266    |
|                                                                                         |             | 17,836,080   |
| Local General Obligation Bonds □ 25.98%                                                 |             |              |
| Centennial Independent School District #012 Series A                                    |             |              |
| 5.00% 2/1/20 (FSA)                                                                      | 800,000     | 843,992      |
| Dakota County Community Development Agency                                              |             |              |
| Governmental Housing Refunding                                                          |             |              |
| (Senior Housing Facilities)                                                             |             |              |
| Series A 5.00% 1/1/23                                                                   | 1,100,000   | 1,163,239    |
| Elk River Independent School District #728 Series A                                     |             |              |

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|                                     |           |            |
|-------------------------------------|-----------|------------|
| 5.00% 2/1/16 (FGIC)                 | 1,500,000 | 1,613,535  |
| Farmington Independent School       |           |            |
| District #192                       |           |            |
| Series A 5.00% 2/1/23 (FSA)         | 2,280,000 | 2,389,440  |
| Series B 5.00% 2/1/27 (FSA)         | 1,500,000 | 1,586,010  |
| Hennepin County Regional Railroad   |           |            |
| Authority 5.00% 12/1/26             | 3,500,000 | 3,618,264  |
| Hennepin County Series B            |           |            |
| 5.00% 12/1/18                       | 2,300,000 | 2,402,005  |
| Lakeville Independent School        |           |            |
| District #194 Series A              |           |            |
| 4.75% 2/1/22 (FSA)                  | 2,000,000 | 2,068,340  |
| Metropolitan Council Waste Water    |           |            |
| Treatment Series B                  |           |            |
| 4.375% 12/1/27                      | 2,500,000 | 2,486,400  |
| 5.00% 12/1/21                       | 2,000,000 | 2,148,640  |
| Minneapolis Refunding (Sports       |           |            |
| Arena Project) 5.125% 10/1/20       | 750,000   | 760,313    |
| Minneapolis Special School District |           |            |
| #001 5.00% 2/1/19 (FSA)             | 1,175,000 | 1,247,180  |
| Moorhead Economic Development       |           |            |
| Authority Tax Increment             |           |            |
| Series A 5.25% 2/1/25 (MBIA)        | 1,000,000 | 1,055,640  |
| Moorhead Improvement Series B       |           |            |
| 5.00% 2/1/33 (MBIA)                 | 3,250,000 | 3,413,768  |
| Morris Independent School District  |           |            |
| #769 5.00% 2/1/28 (MBIA)            | 3,750,000 | 3,982,349  |
| Mounds View Independent School      |           |            |
| District #621 Series A              |           |            |
| 5.00% 2/1/23 (FSA)                  | 2,020,000 | 2,117,142  |
| Princeton Independent School        |           |            |
| District Refunding #477             |           |            |
| Series A 5.00% 2/1/24 (FSA)         | 1,000,000 | 1,060,780  |
| Robbinsdale Independent School      |           |            |
| District #281                       |           |            |
| 5.00% 2/1/21 (FSA)                  | 500,000   | 526,595    |
| St. Michael Independent School      |           |            |
| District #885                       |           |            |
| 5.00% 2/1/22 (FSA)                  | 2,000,000 | 2,109,980  |
| 5.00% 2/1/24 (FSA)                  | 1,125,000 | 1,186,864  |
| Washington County Housing &         |           |            |
| Redevelopment Authority             |           |            |
| Refunding Series B                  |           |            |
| 5.50% 2/1/22 (MBIA)                 | 1,705,000 | 1,812,875  |
| 5.50% 2/1/32 (MBIA)                 | 2,140,000 | 2,265,768  |
| Willmar (Rice Memorial Hospital     |           |            |
| Project) 5.00% 2/1/32 (FSA)         | 2,500,000 | 2,608,350  |
|                                     |           | 44,467,469 |
| §Pre-Refunded Bonds □ 22.91%        |           |            |
| Chaska Electric Revenue Series A    |           |            |
| 6.00% 10/1/25-10                    | 1,000,000 | 1,077,130  |

|                                                                                                                                                          | Principal<br>Amount | Value        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------|
| <b>Municipal Bonds</b> (continued)                                                                                                                       |                     |              |
| \$Pre-Refunded Bonds (continued)                                                                                                                         |                     |              |
| Minneapolis Community<br>Development Agency (Limited<br>Tax Common Bond Fund) Series<br>(Limited Tax Common Bond<br>Fund) Series G-1<br>5.70% 12/1/19-11 | \$1,100,000         | \$ 1,183,996 |
| Series G-3 5.45% 12/1/31-11                                                                                                                              | 1,000,000           | 1,074,140    |
| Minneapolis Health Care System<br>Revenue (Fairview Health Services)<br>Series A 5.625% 5/15/32-12                                                       | 2,750,000           | 3,015,705    |
| Minneapolis/St. Paul Metropolitan<br>Airports Commission Revenue<br>Series A 5.00% 1/1/30-08<br>(AMBAC)                                                  | 2,450,000           | 2,498,878    |
| Series A 5.125% 1/1/25-09<br>(FGIC)                                                                                                                      | 900,000             | 931,284      |
| Series C 5.25% 1/1/32-11 (FGIC)                                                                                                                          | 6,000,000           | 6,330,239    |
| Minneapolis/St. Paul Metropolitan<br>Area Council Series C<br>5.00% 2/1/22-11                                                                            | 1,000,000           | 1,044,770    |
| Minnesota Agricultural & Economic<br>Development Board Revenue<br>(Fairview Health Care System)<br>Series A<br>5.75% 11/15/26-07 (MBIA)                  | 5,450,000           | 5,626,907    |
| 6.375% 11/15/29-10                                                                                                                                       | 6,105,000           | 6,710,676    |
| Puerto Rico Commonwealth<br>6.00% 7/1/26-07                                                                                                              | 1,000,000           | 1,020,810    |
| Puerto Rico Commonwealth<br>Highway & Transportation<br>Authority Revenue Series D<br>5.25% 7/1/38-12                                                    | 1,000,000           | 1,075,050    |
| Puerto Rico Commonwealth Public<br>Improvement Revenue Series A<br>5.00% 7/1/27-12                                                                       | 1,250,000           | 1,331,463    |
| Puerto Rico Public Buildings<br>Authority Revenue (Guaranteed<br>Government Facilities) Series D<br>5.25% 7/1/27-12                                      | 1,470,000           | 1,578,148    |
| Rochester Electric Utility Revenue<br>5.25% 12/1/30-10 (AMBAC)                                                                                           | 600,000             | 627,414      |
| Southern Minnesota Municipal                                                                                                                             |                     |              |

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|                                                                                                                                                                                                                    |                                                               |                                                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
| Power Agency Supply Revenue<br>Refunding Series A<br>5.75% 1/1/18-13                                                                                                                                               | 3,715,000                                                     | 4,089,398                                                     |
|                                                                                                                                                                                                                    |                                                               | 39,216,008                                                    |
| Special Tax Revenue Bonds □ 1.64%                                                                                                                                                                                  |                                                               |                                                               |
| Minneapolis Community<br>Development Agency Revenue<br>(Limited Tax Supported<br>Common Bond Fund) Series 5<br>5.70% 12/1/27                                                                                       | 375,000                                                       | 377,989                                                       |
| Minneapolis Development Revenue<br>(Limited Tax Supported<br>Common Bond Fund)<br>5.50% 12/1/24 (AMT)                                                                                                              | 1,000,000                                                     | 1,061,520                                                     |
| Puerto Rico Commonwealth<br>Infrastructure Financing<br>Authority (Special Tax Revenue)<br>Series B 5.00% 7/1/46                                                                                                   | 800,000                                                       | 831,416                                                       |
| Virgin Islands Public Finance<br>Authority Revenue (Senior Lien<br>Matching Fund Loan Notes)<br>Series A 5.25% 10/1/23                                                                                             | 500,000                                                       | 532,495                                                       |
|                                                                                                                                                                                                                    |                                                               | 2,803,420                                                     |
| State General Obligation Bonds □ 5.08%                                                                                                                                                                             |                                                               |                                                               |
| Minnesota State<br>5.00% 11/1/17<br>5.00% 8/1/21                                                                                                                                                                   | 1,160,000<br>5,025,000                                        | 1,184,244<br>5,293,637                                        |
| Puerto Rico Commonwealth Public<br>Improvement Series A<br>5.50% 7/1/19 (MBIA)                                                                                                                                     | 1,000,000                                                     | 1,148,820                                                     |
| Puerto Rico Government<br>Development Bank Senior Notes<br>Series B 5.00% 12/1/14                                                                                                                                  | 1,000,000                                                     | 1,067,950                                                     |
|                                                                                                                                                                                                                    |                                                               | 8,694,651                                                     |
| Transportation Revenue Bonds □ 7.64%                                                                                                                                                                               |                                                               |                                                               |
| Minneapolis/St. Paul Metropolitan<br>Airports Commission Revenue<br>Series A<br>5.00% 1/1/22 (MBIA)<br>5.00% 1/1/28 (MBIA)<br>5.25% 1/1/16 (MBIA)<br>Series B<br>5.00% 1/1/35 (AMBAC)<br>5.25% 1/1/24 (FGIC) (AMT) | 3,000,000<br>2,120,000<br>1,000,000<br>2,000,000<br>1,000,000 | 3,134,580<br>2,207,386<br>1,069,700<br>2,094,700<br>1,034,630 |
| St. Paul Housing & Redevelopment<br>Authority Parking Revenue<br>(Block 19 Ramp Project)<br>Series A<br>5.35% 8/1/29 (FSA)                                                                                         | 3,350,000                                                     | 3,541,318                                                     |
|                                                                                                                                                                                                                    |                                                               | 13,082,314                                                    |
| <b>Total Municipal Bonds</b>                                                                                                                                                                                       |                                                               |                                                               |

|                      |                    |
|----------------------|--------------------|
| (cost \$258,872,962) | <b>271,180,611</b> |
|----------------------|--------------------|

**Short-Term Investments** 0.47%

Variable Rate Demand Notes 0.47%

|                                  |         |         |
|----------------------------------|---------|---------|
| University of Minnesota Series C |         |         |
| 3.63% 12/1/36                    | 800,000 | 800,000 |

**Total Short-Term Investments**

|                  |                |
|------------------|----------------|
| (cost \$800,000) | <b>800,000</b> |
|------------------|----------------|

(continues) 21

## Statements of net assets

## Delaware Investments Minnesota Municipal Income Fund II, Inc.

**Total Value of Securities** 158.92%

|                      |                      |
|----------------------|----------------------|
| (cost \$259,672,962) | <b>\$271,980,611</b> |
|----------------------|----------------------|

**Liabilities Net of Receivables and**

|                              |                    |
|------------------------------|--------------------|
| <b>Other Assets</b> (3.41%)* | <b>(5,837,293)</b> |
|------------------------------|--------------------|

**Liquidation Value of Preferred Stock** (55.51%) (95,000,000)**Net Assets Applicable to 11,504,975 Shares**

|                            |                      |
|----------------------------|----------------------|
| <b>Outstanding</b> 100.00% | <b>\$171,143,318</b> |
|----------------------------|----------------------|

## Net Asset Value Per Common Share

|                                     |                |
|-------------------------------------|----------------|
| (\$171,143,318 / 11,504,975 Shares) | <b>\$14.88</b> |
|-------------------------------------|----------------|

**Components of Net Assets at March 31, 2007:**

Common stock, \$0.01 par value, 200 million shares

|                        |               |
|------------------------|---------------|
| authorized to the Fund | \$158,785,529 |
|------------------------|---------------|

|                                     |        |
|-------------------------------------|--------|
| Undistributed net investment income | 93,893 |
|-------------------------------------|--------|

|                                              |          |
|----------------------------------------------|----------|
| Accumulated net realized loss on investments | (43,753) |
|----------------------------------------------|----------|

|                                            |            |
|--------------------------------------------|------------|
| Net unrealized appreciation of investments | 12,307,649 |
|--------------------------------------------|------------|

|                  |               |
|------------------|---------------|
| Total net assets | \$171,143,318 |
|------------------|---------------|

&<sup>1</sup>Security held in a trust in connection with the Inverse Floater security \$7,000,000, 6.706%, 1/1/14.&<sup>2</sup>Security held in a trust in connection with the Inverse Floater security \$1,500,000, 6.706%, 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 9 in Notes to Financial Statements.

Variable rate security. The rate shown is the rate as of March 31, 2007.

\*Includes \$8,500,000 in liability for Inverse Floater programs. See Note 8 in Notes to Financial Statements.

For additional information on the Inverse Floater Programs, see Note 8 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  
 VA ☐ Insured by the Veterans Administration

See accompanying notes

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## Statements of operations

### Delaware Investments Closed-End Municipal Bond Funds

Year Ended March 31, 2007

|                                                                   | Delaware<br>Investments<br><br>Arizona<br>Municipal<br>Income<br>Fund, Inc. | Delaware<br>Investments<br>Colorado<br>Insured<br>Municipal<br>Income<br>Fund, Inc. | Delaware<br>Investments<br>Florida<br>Insured<br>Municipal<br>Income<br>Fund | Delaware<br>Investments<br>Minnesota<br>Municipal<br>Income<br>Fund II, Inc. |
|-------------------------------------------------------------------|-----------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| <b>Investment Income:</b>                                         |                                                                             |                                                                                     |                                                                              |                                                                              |
| Interest                                                          | \$ 3,241,635                                                                | \$ 5,502,486                                                                        | \$ 2,712,469                                                                 | \$ 13,128,934                                                                |
| <b>Expenses:</b>                                                  |                                                                             |                                                                                     |                                                                              |                                                                              |
| Management fees                                                   | 275,385                                                                     | 453,667                                                                             | 221,241                                                                      | 1,061,139                                                                    |
| Interest and related expenses                                     | ☐                                                                           | ☐                                                                                   | ☐                                                                            | 339,001                                                                      |
| Remarketing agent fees                                            | 63,196                                                                      | 100,000                                                                             | 50,556                                                                       | 237,500                                                                      |
| Accounting and administration expenses                            | 27,538                                                                      | 45,367                                                                              | 22,124                                                                       | 105,945                                                                      |
| Dividend disbursing and transfer agent fees and expenses          | 20,566                                                                      | 35,239                                                                              | 29,299                                                                       | 104,927                                                                      |
| Audit and tax fees                                                | 19,253                                                                      | 20,487                                                                              | 18,917                                                                       | 24,288                                                                       |
| Rating agency fees                                                | 13,425                                                                      | 13,121                                                                              | 13,425                                                                       | 33,025                                                                       |
| Reports and statements to shareholders                            | 11,559                                                                      | 19,951                                                                              | 11,567                                                                       | 30,525                                                                       |
| Legal fees                                                        | 8,347                                                                       | 14,113                                                                              | 5,806                                                                        | 28,248                                                                       |
| Directors☐/Trustees☐ fees and benefits                            | 7,927                                                                       | 13,275                                                                              | 6,382                                                                        | 30,713                                                                       |
| Taxes (other than taxes on income)                                | 5,917                                                                       | 9,367                                                                               | 347                                                                          | 14,639                                                                       |
| Custodian fees                                                    | 2,810                                                                       | 3,836                                                                               | 2,444                                                                        | 7,662                                                                        |
| Stock exchange fees                                               | 2,720                                                                       | 4,579                                                                               | 2,205                                                                        | 14,360                                                                       |
| Pricing fees                                                      | 1,846                                                                       | 1,924                                                                               | 1,480                                                                        | 4,826                                                                        |
| Insurance fees                                                    | 1,209                                                                       | 2,013                                                                               | 970                                                                          | 6,983                                                                        |
| Dues and services                                                 | 1,120                                                                       | 1,983                                                                               | 827                                                                          | 3,193                                                                        |
| Consulting fees                                                   | 1,038                                                                       | 2,987                                                                               | 788                                                                          | 3,470                                                                        |
| Registration fees                                                 | 628                                                                         | 628                                                                                 | 628                                                                          | 538                                                                          |
| Directors☐/Trustees☐ expenses                                     | 500                                                                         | 517                                                                                 | 184                                                                          | 880                                                                          |
|                                                                   | 464,984                                                                     | 743,054                                                                             | 389,190                                                                      | 2,051,862                                                                    |
| Less expense paid indirectly                                      | (2,771)                                                                     | (3,772)                                                                             | (2,413)                                                                      | (7,396)                                                                      |
| Total operating expenses                                          | 462,213                                                                     | 739,282                                                                             | 386,777                                                                      | 2,044,466                                                                    |
| <b>Net Investment Income</b>                                      | 2,779,422                                                                   | 4,763,204                                                                           | 2,325,692                                                                    | 11,084,468                                                                   |
| <b>Net Realized and Unrealized Gain (Loss) on Investments:</b>    |                                                                             |                                                                                     |                                                                              |                                                                              |
| Net realized gain on investments                                  | 387,724                                                                     | 607,660                                                                             | 243,904                                                                      | 159,043                                                                      |
| Net change in unrealized appreciation/depreciation of investments | 82,776                                                                      | (275,520)                                                                           | 79,273                                                                       | 2,367,602                                                                    |
| <b>Net Realized and Unrealized Gain on Investments</b>            | 470,500                                                                     | 332,140                                                                             | 323,177                                                                      | 2,526,645                                                                    |

|                                                             |              |              |              |               |
|-------------------------------------------------------------|--------------|--------------|--------------|---------------|
| <b>Dividends on Preferred Stock</b>                         | (925,058)    | (1,417,500)  | (733,838)    | (3,434,732)   |
| <b>Net Increase in Net Assets Resulting from Operations</b> | \$ 2,324,864 | \$ 3,677,844 | \$ 1,915,031 | \$ 10,176,381 |

See accompanying notes

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## Statements of changes in net assets

### Delaware Investments Closed-End Municipal Bond Funds

|                                                                   | Delaware<br>Investments Arizona<br>Municipal Income<br>Fund, Inc. |              | Delaware<br>Investments Colorado<br>Insured Municipal<br>Income Fund, Inc. |               |
|-------------------------------------------------------------------|-------------------------------------------------------------------|--------------|----------------------------------------------------------------------------|---------------|
|                                                                   | Year Ended                                                        |              | Year Ended                                                                 |               |
|                                                                   | 3/31/07                                                           | 3/31/06      | 3/31/07                                                                    | 3/31/06       |
| <b>Increase (Decrease) in Net Assets from Operations:</b>         |                                                                   |              |                                                                            |               |
| Net investment income                                             | \$ 2,779,422                                                      | \$ 2,835,929 | \$ 4,763,204                                                               | \$ 4,925,831  |
| Net realized gain (loss) on investments                           | 387,724                                                           | (34,038)     | 607,660                                                                    | 411,411       |
| Net change in unrealized appreciation/depreciation of investments | 82,776                                                            | (488,430)    | (275,520)                                                                  | (1,020,900)   |
| Dividends on preferred stock                                      | (925,058)                                                         | (701,535)    | (1,417,500)                                                                | (1,058,791)   |
| Net increase in net assets resulting from operations              | 2,324,864                                                         | 1,611,926    | 3,677,844                                                                  | 3,257,551     |
| <b>Dividends and Distributions to Common Shareholders from:</b>   |                                                                   |              |                                                                            |               |
| Net investment income                                             | (2,236,650)                                                       | (2,564,692)  | (4,111,535)                                                                | (4,643,611)   |
| Net realized gain on investments                                  | (95,430)                                                          | (59,644)     | (343,434)                                                                  | (145,111)     |
|                                                                   | (2,332,080)                                                       | (2,624,336)  | (4,454,969)                                                                | (4,788,722)   |
| <b>Net Decrease in Net Assets</b>                                 | (7,216)                                                           | (1,012,410)  | (777,125)                                                                  | (1,531,171)   |
| <b>Net Assets:</b>                                                |                                                                   |              |                                                                            |               |
| Beginning of year                                                 | 43,923,349                                                        | 44,935,759   | 73,832,862                                                                 | 75,364,022    |
| End of year                                                       | \$43,916,133                                                      | \$43,923,349 | \$ 73,055,737                                                              | \$ 73,832,862 |
| Undistributed (Distributions in excess of) net investment income  | \$ □                                                              | \$ 330,793   | \$ 264,788                                                                 | \$ 938,441    |

|                                                                   | Delaware<br>Investments Florida<br>Insured Municipal<br>Income Fund |              | Delaware<br>Investments Minnesota<br>Municipal Income<br>Fund II, Inc. |              |
|-------------------------------------------------------------------|---------------------------------------------------------------------|--------------|------------------------------------------------------------------------|--------------|
|                                                                   | Year Ended                                                          |              | Year Ended                                                             |              |
|                                                                   | 3/31/07                                                             | 3/31/06      | 3/31/07                                                                | 3/31/06      |
| <b>Increase (Decrease) in Net Assets from Operations:</b>         |                                                                     |              |                                                                        |              |
| Net investment income                                             | \$ 2,325,692                                                        | \$ 2,462,489 | \$ 11,084,468                                                          | \$ 7,447,271 |
| Net realized gain on investments                                  | 243,904                                                             | 806,263      | 159,043                                                                | 217,831      |
| Net change in unrealized appreciation/depreciation of investments | 79,273                                                              | (1,379,442)  | 2,367,602                                                              | (1,110,241)  |
| Dividends on preferred stock                                      | (733,838)                                                           | (622,604)    | (3,434,732)                                                            | (1,840,831)  |
| Net increase in net assets resulting from operations              | 1,915,031                                                           | 1,266,706    | 10,176,381                                                             | 4,714,030    |

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**Dividends and Distributions to Common Shareholders from:**

|                                  |             |             |             |             |
|----------------------------------|-------------|-------------|-------------|-------------|
| Net investment income            | (1,986,204) | (2,349,534) | (8,513,682) | (6,835,300) |
| Net realized gain on investments | (164,710)   | (591,017)   |             |             |
|                                  | (2,150,914) | (2,940,551) | (8,513,682) | (6,835,300) |

**Capital Share Transactions:**

|                                 |  |  |  |            |
|---------------------------------|--|--|--|------------|
| Net assets from reorganization* |  |  |  | 63,644,020 |
|                                 |  |  |  | 63,644,020 |

|                                              |           |             |           |            |
|----------------------------------------------|-----------|-------------|-----------|------------|
| <b>Net Increase (Decrease) in Net Assets</b> | (235,883) | (1,673,845) | 1,662,699 | 61,522,740 |
|----------------------------------------------|-----------|-------------|-----------|------------|

**Net Assets:**

|                   |              |              |               |               |
|-------------------|--------------|--------------|---------------|---------------|
| Beginning of year | 35,492,208   | 37,166,053   | 169,480,619   | 107,957,800   |
| End of year       | \$35,256,325 | \$35,492,208 | \$171,143,318 | \$169,480,619 |

|                                     |           |            |           |            |
|-------------------------------------|-----------|------------|-----------|------------|
| Undistributed net investment income | \$ 71,820 | \$ 422,158 | \$ 93,893 | \$ 969,300 |
|-------------------------------------|-----------|------------|-----------|------------|

\*See Note 7 in [ ]Notes to Financial Statements. [ ]

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 |          |          |          |          |
|----------------------------------------------------------------------|------------|----------|----------|----------|----------|
|                                                                      | 3/31/07    | 3/31/06  | 3/31/05  | 3/31/04  | 3/31/03  |
| <b>Net asset value, beginning of period</b>                          | \$14.730   | \$15.070 | \$15.570 | \$15.480 | \$14.650 |
| <b>Income (loss) from investment operations:</b>                     |            |          |          |          |          |
| Net investment income                                                | 0.932      | 0.951    | 0.956    | 1.020    | 1.067    |
| Net realized and unrealized gain (loss) on investments               | 0.160      | (0.177)  | (0.332)  | 0.276    | 0.988    |
| Dividends on preferred stock from:                                   |            |          |          |          |          |
| Net investment income                                                | (0.297)    | (0.232)  | (0.118)  | (0.075)  | (0.103)  |
| Net realized gain on investments                                     | (0.013)    | (0.002)  | (0.003)  | (0.016)  | (0.018)  |
| Total dividends on preferred stock                                   | (0.310)    | (0.234)  | (0.121)  | (0.091)  | (0.121)  |
| Total from investment operations                                     | 0.782      | 0.540    | 0.503    | 1.205    | 1.934    |
| <b>Less dividends and distributions to common shareholders from:</b> |            |          |          |          |          |
| Net investment income                                                | (0.750)    | (0.860)  | (0.960)  | (0.960)  | (0.940)  |
| Net realized gain on investments                                     | (0.032)    | (0.020)  | (0.043)  | (0.155)  | (0.164)  |
| Total dividends and distributions                                    | (0.782)    | (0.880)  | (1.003)  | (1.115)  | (1.104)  |
| <b>Net asset value, end of period</b>                                | \$14.730   | \$14.730 | \$15.070 | \$15.570 | \$15.480 |
| <b>Market value, end of period</b>                                   | \$14.790   | \$15.980 | \$15.390 | \$16.560 | \$15.490 |
| <b>Total investment return based on:</b>                             |            |          |          |          |          |
| Market value                                                         | (2.58%)    | 9.74%    | (0.78%)  | 14.64%   | 12.74%   |

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|                                                                                                                                    |           |           |           |           |           |
|------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Net asset value                                                                                                                    | 5.26%     | 3.31%     | 3.34%     | 7.86%     | 13.44%    |
| <b>Ratios and supplemental data:</b>                                                                                               |           |           |           |           |           |
| Net assets applicable to common shares, end of period (000 omitted)                                                                | \$43,916  | \$43,923  | \$44,936  | \$46,429  | \$46,167  |
| Ratio of expenses to average net assets applicable to common shares <sup>2</sup>                                                   | 1.05%     | 1.03%     | 1.18%     | 1.05%     | 1.16%     |
| Ratio of net investment income to average net assets applicable to common shares <sup>2</sup>                                      | 6.34%     | 6.28%     | 6.34%     | 6.63%     | 6.96%     |
| Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares <sup>3</sup> | 4.23%     | 4.72%     | 5.54%     | 6.04%     | 6.18%     |
| Portfolio turnover                                                                                                                 | 17%       | 2%        | 8%        | 30%       | 24%       |
| <b>Leverage analysis:</b>                                                                                                          |           |           |           |           |           |
| Value of preferred shares outstanding (000 omitted)                                                                                | \$25,000  | \$25,000  | \$25,000  | \$25,000  | \$25,000  |
| Net asset coverage per share of preferred shares, end of period                                                                    | \$137,832 | \$137,847 | \$139,872 | \$142,858 | \$142,334 |
| Liquidation value per share of preferred shares <sup>4</sup>                                                                       | \$50,000  | \$50,000  | \$50,000  | \$50,000  | \$50,000  |

<sup>1</sup> 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.

<sup>2</sup> Ratios do not reflect the effect of dividend payments to preferred shareholders.

<sup>3</sup> Ratio reflects total net investment income less dividends paid to preferred shareholders divided by average net assets applicable to common shareholders.

<sup>4</sup> Excluding any accumulated but unpaid dividends.

See accompanying notes

(continues) 25

## Financial highlights

### Delaware Investments Colorado Insured Municipal Income Fund, Inc.

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

|                                                        | Year Ended     |                |                |                |                |
|--------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                                        | 3/31/07        | 3/31/06        | 3/31/05        | 3/31/04        | 3/31/03        |
| <b>Net asset value, beginning of period</b>            | \$15.260       | \$15.580       | \$16.110       | \$15.920       | \$14.780       |
| <b>Income (loss) from investment operations:</b>       |                |                |                |                |                |
| Net investment income                                  | 0.985          | 1.018          | 1.019          | 1.043          | 1.068          |
| Net realized and unrealized gain (loss) on investments | 0.069          | (0.129)        | (0.432)        | 0.324          | 1.324          |
| Dividends on preferred stock from:                     |                |                |                |                |                |
| Net investment income                                  | (0.274)        | (0.213)        | (0.124)        | (0.077)        | (0.098)        |
| Net realized gain on investments                       | (0.019)        | (0.006)        | (0.003)        | (0.013)        | (0.023)        |
| <b>Total dividends on preferred stock</b>              | <b>(0.293)</b> | <b>(0.219)</b> | <b>(0.127)</b> | <b>(0.090)</b> | <b>(0.121)</b> |
| <b>Total from investment operations</b>                | <b>0.761</b>   | <b>0.670</b>   | <b>0.460</b>   | <b>1.277</b>   | <b>2.271</b>   |

**Less dividends and distributions to common shareholders from:**

|                                   |         |         |         |         |         |
|-----------------------------------|---------|---------|---------|---------|---------|
| Net investment income             | (0.850) | (0.960) | (0.960) | (0.960) | (0.940) |
| Net realized gain on investments  | (0.071) | (0.030) | (0.030) | (0.127) | (0.191) |
| Total dividends and distributions | (0.921) | (0.990) | (0.990) | (1.087) | (1.131) |

|                                       |                 |                 |                 |                 |                 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Net asset value, end of period</b> | <b>\$15.100</b> | <b>\$15.260</b> | <b>\$15.580</b> | <b>\$16.110</b> | <b>\$15.920</b> |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|

|                                    |                 |                 |                 |                 |                 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Market value, end of period</b> | <b>\$15.940</b> | <b>\$18.650</b> | <b>\$17.180</b> | <b>\$16.960</b> | <b>\$16.650</b> |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|

**Total investment return based on:1**

|                 |         |        |       |       |        |
|-----------------|---------|--------|-------|-------|--------|
| Market value    | (9.86%) | 14.64% | 7.42% | 8.76% | 21.31% |
| Net asset value | 4.35%   | 3.44%  | 2.56% | 8.05% | 15.37% |

**Ratios and supplemental data:**

|                                                                     |          |          |          |          |          |
|---------------------------------------------------------------------|----------|----------|----------|----------|----------|
| Net assets applicable to common shares, end of period (000 omitted) | \$73,056 | \$73,833 | \$75,364 | \$77,903 | \$76,988 |
|---------------------------------------------------------------------|----------|----------|----------|----------|----------|

|                                                                                  |       |       |       |       |       |
|----------------------------------------------------------------------------------|-------|-------|-------|-------|-------|
| Ratio of expenses to average net assets applicable to common shares <sup>2</sup> | 1.01% | 0.95% | 1.03% | 1.01% | 1.05% |
|----------------------------------------------------------------------------------|-------|-------|-------|-------|-------|

Ratio of net investment income to average net assets

|                                          |       |       |       |       |       |
|------------------------------------------|-------|-------|-------|-------|-------|
| applicable to common shares <sup>2</sup> | 6.49% | 6.51% | 6.51% | 6.54% | 6.83% |
|------------------------------------------|-------|-------|-------|-------|-------|

Ratio of net investment income to average net assets

|                                                                               |       |       |       |       |       |
|-------------------------------------------------------------------------------|-------|-------|-------|-------|-------|
| applicable to common shares net of dividends to preferred shares <sup>3</sup> | 4.56% | 5.11% | 5.69% | 5.98% | 6.08% |
|-------------------------------------------------------------------------------|-------|-------|-------|-------|-------|

|                    |     |     |    |     |     |
|--------------------|-----|-----|----|-----|-----|
| Portfolio turnover | 11% | 12% | 5% | 13% | 14% |
|--------------------|-----|-----|----|-----|-----|

**Leverage analysis:**

|                                                     |          |          |          |          |          |
|-----------------------------------------------------|----------|----------|----------|----------|----------|
| Value of preferred shares outstanding (000 omitted) | \$40,000 | \$40,000 | \$40,000 | \$40,000 | \$40,000 |
|-----------------------------------------------------|----------|----------|----------|----------|----------|

|                                                                 |           |           |           |           |           |
|-----------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Net asset coverage per share of preferred shares, end of period | \$141,320 | \$142,291 | \$144,205 | \$147,379 | \$146,235 |
|-----------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|

|                                                              |          |          |          |          |          |
|--------------------------------------------------------------|----------|----------|----------|----------|----------|
| Liquidation value per share of preferred shares <sup>4</sup> | \$50,000 | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
|--------------------------------------------------------------|----------|----------|----------|----------|----------|

<sup>1</sup> 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.

<sup>2</sup> Ratios do not reflect the effect of dividend payments to preferred shareholders.

<sup>3</sup> Ratio reflects total net investment income less dividends paid to preferred shareholders divided by average net assets applicable to common shareholders.

<sup>4</sup> Excluding any accumulated but unpaid dividends.

See accompanying notes

**Delaware Investments Florida Insured Municipal Income Fund**

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

|                                             | Year Ended      |                 |                 |                 |                 |
|---------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                             | 3/31/07         | 3/31/06         | 3/31/05         | 3/31/04         | 3/31/03         |
| <b>Net asset value, beginning of period</b> | <b>\$14.650</b> | <b>\$15.340</b> | <b>\$16.200</b> | <b>\$16.370</b> | <b>\$15.150</b> |

**Income (loss) from investment operations:**

|                                                        |       |         |         |         |       |
|--------------------------------------------------------|-------|---------|---------|---------|-------|
| Net investment income                                  | 0.960 | 1.017   | 1.057   | 1.088   | 1.084 |
| Net realized and unrealized gain (loss) on investments | 0.141 | (0.236) | (0.675) | (0.130) | 1.186 |

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## Dividends on preferred stock from:

|                                    |         |         |         |         |         |
|------------------------------------|---------|---------|---------|---------|---------|
| Net investment income              | (0.285) | (0.202) | (0.114) | (0.082) | (0.109) |
| Net realized gain on investments   | (0.018) | (0.055) | (0.009) | (0.005) |         |
| Total dividends on preferred stock | (0.303) | (0.257) | (0.123) | (0.087) | (0.109) |
| Total from investment operations   | 0.798   | 0.524   | 0.259   | 0.871   | 2.161   |

## Less dividends and distributions to common shareholders from:

|                                   |         |         |         |         |         |
|-----------------------------------|---------|---------|---------|---------|---------|
| Net investment income             | (0.820) | (0.970) | (1.020) | (0.995) | (0.941) |
| Net realized gain on investments  | (0.068) | (0.244) | (0.099) | (0.046) |         |
| Total dividends and distributions | (0.888) | (1.214) | (1.119) | (1.041) | (0.941) |

|                                |          |          |          |          |          |
|--------------------------------|----------|----------|----------|----------|----------|
| Net asset value, end of period | \$14.560 | \$14.650 | \$15.340 | \$16.200 | \$16.370 |
|--------------------------------|----------|----------|----------|----------|----------|

|                             |          |          |          |          |          |
|-----------------------------|----------|----------|----------|----------|----------|
| Market value, end of period | \$14.530 | \$16.050 | \$15.050 | \$16.650 | \$15.050 |
|-----------------------------|----------|----------|----------|----------|----------|

## Total investment return based on:1

|                 |         |        |         |        |        |
|-----------------|---------|--------|---------|--------|--------|
| Market value    | (4.12%) | 14.75% | (3.02%) | 18.04% | 14.17% |
| Net asset value | 5.27%   | 2.76%  | 1.59%   | 5.59%  | 14.92% |

## Ratios and supplemental data:

|                                                                                                                                    |          |          |          |          |          |
|------------------------------------------------------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|
| Net assets applicable to common shares, end of period (000 omitted)                                                                | \$35,256 | \$35,492 | \$37,166 | \$39,244 | \$39,651 |
| Ratio of expenses to average net assets applicable to common shares <sup>2</sup>                                                   | 1.10%    | 1.07%    | 1.24%    | 1.11%    | 1.18%    |
| Ratio of net investment income to average net assets applicable to common shares <sup>2</sup>                                      | 6.58%    | 6.70%    | 6.75%    | 6.70%    | 6.81%    |
| Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares <sup>3</sup> | 4.51%    | 5.01%    | 5.97%    | 6.16%    | 6.13%    |
| Portfolio turnover                                                                                                                 | 9%       | 28%      | 11%      | 3%       | 13%      |

## 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 | \$138,141 | \$138,731 | \$142,915 | \$148,110 | \$149,128 |
| Liquidation value per share of preferred shares <sup>4</sup>    | \$50,000  | \$50,000  | \$50,000  | \$50,000  | \$50,000  |

<sup>1</sup> 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.

<sup>2</sup> Ratios do not reflect the effect of dividend payments to preferred shareholders.

<sup>3</sup> Ratio reflects total net investment income less dividends paid to preferred shareholders divided by average net assets applicable to common shareholders.

<sup>4</sup> Excluding any accumulated but unpaid dividends.

See accompanying notes

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## Financial highlights

### Delaware Investments Minnesota Municipal Income Fund II, Inc.

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

|                                                                                                                                    | Year Ended         |           |           |           |           |
|------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------|-----------|-----------|-----------|
|                                                                                                                                    | 3/31/07            | 3/31/06   | 3/31/05   | 3/31/04   | 3/31/03   |
| <b>Net asset value, beginning of period</b>                                                                                        | \$14.730           | \$14.890  | \$15.280  | \$15.060  | \$14.280  |
| <b>Income (loss) from investment operations:</b>                                                                                   |                    |           |           |           |           |
| Net investment income                                                                                                              | 0.963              | 0.971     | 1.025     | 1.093     | 1.143     |
| Net realized and unrealized gain (loss) on investments                                                                             | 0.225              | 0.012     | (0.237)   | 0.207     | 0.689     |
| Dividends on preferred stock from:                                                                                                 |                    |           |           |           |           |
| Net investment income                                                                                                              | (0.298)            | (0.243)   | (0.128)   | (0.082)   | (0.112)   |
| Total dividends on preferred stock                                                                                                 | (0.298)            | (0.243)   | (0.128)   | (0.082)   | (0.112)   |
| Total from investment operations                                                                                                   | 0.890              | 0.740     | 0.660     | 1.218     | 1.720     |
| <b>Less dividends to common shareholders from:</b>                                                                                 |                    |           |           |           |           |
| Net investment income                                                                                                              | (0.740)            | (0.900)   | (1.050)   | (0.998)   | (0.940)   |
| Total dividends                                                                                                                    | (0.740)            | (0.900)   | (1.050)   | (0.998)   | (0.940)   |
| <b>Net asset value, end of period</b>                                                                                              | \$14.880           | \$14.730  | \$14.890  | \$15.280  | \$15.060  |
| <b>Market value, end of period</b>                                                                                                 | \$14.640           | \$16.200  | \$16.370  | \$16.800  | \$15.300  |
| <b>Total investment return based on:<sup>1</sup></b>                                                                               |                    |           |           |           |           |
| Market value                                                                                                                       | (5.13%)            | 4.73%     | 4.02%     | 16.87%    | 15.84%    |
| Net asset value                                                                                                                    | 6.05%              | 4.69%     | 4.03%     | 7.99%     | 12.19%    |
| <b>Ratios and supplemental data:</b>                                                                                               |                    |           |           |           |           |
| Net assets applicable to common shares, end of period (000 omitted)                                                                | \$171,143          | \$169,481 | \$107,958 | \$110,828 | \$109,212 |
| Ratio of expenses to average net assets applicable to common shares <sup>2</sup>                                                   | 1.20% <sup>5</sup> | 1.07%     | 1.00%     | 0.93%     | 1.03%     |
| Ratio of net investment income to average net assets applicable to common shares <sup>2</sup>                                      | 6.52%              | 6.45%     | 6.85%     | 7.23%     | 7.74%     |
| Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares <sup>3</sup> | 4.50%              | 4.86%     | 6.00%     | 6.69%     | 6.99%     |
| Portfolio turnover                                                                                                                 | 3%                 | 8%        | 15%       | 34%       | 22%       |
| <b>Leverage analysis:</b>                                                                                                          |                    |           |           |           |           |
| Value of preferred shares outstanding (000 omitted)                                                                                | \$95,000           | \$95,000  | \$60,000  | \$60,000  | \$60,000  |
| Net asset coverage per share of preferred shares, end of period                                                                    | \$140,075          | \$139,200 | \$139,965 | \$142,357 | \$141,010 |
| Liquidation value per share of preferred shares <sup>4</sup>                                                                       | \$50,000           | \$50,000  | \$50,000  | \$50,000  | \$50,000  |

<sup>1</sup> 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.

<sup>2</sup> Ratios do not reflect the effect of dividend payments to preferred shareholders.

<sup>3</sup> Ratio reflects total net investment income less dividends paid to preferred shareholders divided by average net assets applicable to common shareholders.

<sup>4</sup> Excluding any accumulated but unpaid dividends.

<sup>5</sup> 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. See Notes 1 and 8 in "Notes to Financial Statements".

See accompanying notes

# Notes to financial statements

## Delaware Investments Closed-End Municipal Bond Funds

March 31, 2007

Delaware Investments Arizona Municipal Income Fund, Inc. (["Arizona Municipal Fund"]); Delaware Investments Colorado Insured Municipal Income Fund, Inc. (["Colorado Insured Municipal Fund"]) and Delaware Investments Minnesota Municipal Income Fund II, Inc. (["Minnesota Municipal Fund II"]) are organized as Minnesota corporations and Delaware Investments Florida Insured Municipal Income Fund (["Florida Insured Municipal Fund"]) is organized as a Massachusetts Business Trust (each referred to as a "Fund" and collectively as the "Funds"). Arizona Municipal Fund, Florida Insured Municipal Fund and Minnesota Municipal Fund II are considered diversified closed-end management investment companies and Colorado Insured Municipal Fund is considered a non-diversified closed-end management investment company 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 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 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. 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 an impact on the amounts reported in the financial statements.

**Federal Income Taxes** Each Fund intends to continue to qualify for federal income tax purposes as a regulated investment company and make the requisite distributions to shareholders. Accordingly, no provision for federal income taxes has been made in the financial statements.

On July 13, 2006, the FASB released 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 a more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. Recent SEC guidance allows implementing FIN 48 in each Fund's net asset value calculations as late as each Fund's last net asset value calculation in the first required financial statement reporting period. As a result, the Funds will incorporate FIN 48 in its semiannual report on September 30, 2007. Although each Fund's tax positions are currently being evaluated, management does not expect the adoption of FIN 48 to have a material impact on the Funds' financial statements.

**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 II's 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 consideration of the 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, 2007, the Minnesota Municipal Fund II had an average daily liability from the participation in inverse floater programs of \$8,832,630 and recorded interest expense at an average rate of 3.80%

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## Notes to financial statements

### Delaware Investments Closed-End Municipal Bond Funds

#### 1. Significant Accounting Policies (continued)

**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 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.

Delaware Service Company, Inc. (DSC), an affiliate of DMC, provides accounting and administration services. Each Fund pays DSC a monthly fee computed at the annual rate of 0.04% of the Funds' average daily net assets, excluding the liquidation value of preferred stock, for accounting and administration services.

At March 31, 2007, each Fund had liabilities payable to affiliates as follows:

|                                                             | Arizona<br>Municipal<br>Fund | Colorado Insured<br>Municipal<br>Fund | Florida Insured<br>Municipal<br>Fund | Minnesota<br>Municipal<br>Fund |
|-------------------------------------------------------------|------------------------------|---------------------------------------|--------------------------------------|--------------------------------|
| Investment management fee payable to DMC                    | \$23,034                     | \$37,815                              | \$18,493                             | \$89,000                       |
| Accounting administration and other expenses payable to DSC | 2,397                        | 11,705                                | 1,920                                | 9,000                          |
| Other expenses payable to DMC and affiliates*               | 3,623                        | 5,397                                 | 1,661                                | 7,000                          |

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\*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, 2007, each Fund was charged for internal legal and tax services provided by DMC and/or its affiliates' employees as follows:

|  | Arizona<br>Municipal<br>Fund | Colorado Insured<br>Municipal<br>Fund | Florida Insured<br>Municipal<br>Fund | Minnesota<br>Municipal<br>Fund II |
|--|------------------------------|---------------------------------------|--------------------------------------|-----------------------------------|
|  | \$2,062                      | \$3,448                               | \$1,660                              | \$8,008                           |

Directors'/Trustees' fees and benefits include expenses accrued by the Funds for each Director's/Trustee's retainer, per meeting fees and retirement benefits. Independent Directors/Trustees with over five years of uninterrupted service were eligible to participate in a retirement plan that provided for the payment of benefits upon retirement. The amount of the retirement benefit was determined based on factors set forth in the plan, including the number of years of service. On November 16, 2006, the Board of Directors/Trustees unanimously voted to terminate the retirement plan. Payments equal to the net present value of the earned benefits were made in 2007 to those independent trustees so entitled. The retirement benefit payout for the Arizona Municipal Fund, Colorado Insured Municipal Fund, Florida Insured Municipal Fund and Minnesota Municipal Fund II was \$5,506, \$9,218, \$4,431 and \$21,329, respectively. 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, 2007, the Funds made purchases and sales of investment securities other than short-term investments as follows:

|           | Arizona<br>Municipal<br>Fund | Colorado<br>Insured<br>Municipal<br>Fund | Florida<br>Insured<br>Municipal<br>Fund | Minnesota<br>Municipal<br>Fund II |
|-----------|------------------------------|------------------------------------------|-----------------------------------------|-----------------------------------|
| Purchases | \$ 11,091,543                | \$ 11,974,513                            | \$ 4,897,981                            | \$ 14,657,319                     |
| Sales     | 12,291,084                   | 15,396,413                               | 6,179,060                               | 9,374,946                         |

At March 31, 2007, the cost of investments and unrealized appreciation (depreciation) for federal income tax purposes for each Fund were as follows:

|                                   | Arizona<br>Municipal<br>Fund | Colorado<br>Insured<br>Municipal<br>Fund | Florida<br>Insured<br>Municipal<br>Fund | Minnesota<br>Municipal<br>Fund II |
|-----------------------------------|------------------------------|------------------------------------------|-----------------------------------------|-----------------------------------|
| Cost of investments               | \$65,701,368                 | \$ 104,617,648                           | \$ 52,830,697                           | \$250,847,275                     |
| Aggregate unrealized appreciation | \$ 2,910,098                 | \$ 5,164,859                             | \$ 1,699,424                            | \$ 12,687,120                     |
| Aggregate unrealized depreciation | (54,545)                     | (21,117)                                 | (18,760)                                | (53,784)                          |
| Net unrealized appreciation       | \$ 2,855,553                 | \$ 5,143,742                             | \$ 1,680,664                            | \$ 12,633,336                     |

### 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, 2007 and 2006 was as follows:

|  | Arizona<br>Municipal<br>Fund | Colorado<br>Insured<br>Municipal<br>Fund | Florida<br>Insured<br>Municipal<br>Fund | Minnesota<br>Municipal<br>Fund II |
|--|------------------------------|------------------------------------------|-----------------------------------------|-----------------------------------|
|--|------------------------------|------------------------------------------|-----------------------------------------|-----------------------------------|

| <b>Year Ended 3/31/07</b> |              |              |              |               |
|---------------------------|--------------|--------------|--------------|---------------|
| Ordinary income           | \$ 15,433    | \$           | \$           | \$            |
| Tax-exempt income         | 3,106,771    | 5,436,875    | 2,676,030    | 11,948,414    |
| Long-term capital gain    | 134,934      | 435,594      | 208,722      |               |
| Total                     | \$ 3,257,138 | \$ 5,872,469 | \$ 2,884,752 | \$ 11,948,414 |

| <b>Year Ended 3/31/06</b> |              |              |              |              |
|---------------------------|--------------|--------------|--------------|--------------|
| Tax-exempt income         | \$ 3,261,410 | \$ 5,673,140 | \$ 2,839,838 | \$ 8,676,141 |
| Long-term capital gain    | 64,461       | 174,385      | 723,317      |              |
| Total                     | \$ 3,325,871 | \$ 5,847,525 | \$ 3,563,155 | \$ 8,676,141 |

### 5. Components of Net Assets on a Tax Basis

As of March 31, 2007, the components of net assets on a tax basis were as follows:

|                                        | Arizona<br>Municipal<br>Fund | Colorado Insured<br>Municipal<br>Fund | Florida Insured<br>Municipal<br>Fund | Minnesota<br>Municipal<br>Fund II |
|----------------------------------------|------------------------------|---------------------------------------|--------------------------------------|-----------------------------------|
| Shares of beneficial interest          | \$ 40,838,893                | \$ 67,238,110                         | \$ 33,361,389                        | \$ 158,785,529                    |
| Undistributed tax-exempt income        |                              | 264,788                               | 71,820                               | 93,893                            |
| Undistributed long-term gains          | 221,687                      | 409,097                               | 142,452                              |                                   |
| Capital loss carryforwards             |                              |                                       |                                      | (369,440)                         |
| Unrealized appreciation of investments | 2,855,553                    | 5,143,742                             | 1,680,664                            | 12,633,336                        |
| Net assets                             | \$ 43,916,133                | \$ 73,055,737                         | \$ 35,256,325                        | \$ 171,143,318                    |

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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)

The differences between book basis and tax basis components of net assets are primarily attributable to tax deferral of losses on wash sales, tax treatment of market discount on debt instruments, and tax treatment of participation in inverse floater programs.

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, tax treatment of market discount on certain debt instruments and tax treatment of participation in inverse floater programs. Results of operations and net assets were not affected by these reclassifications. For the year ended March 31, 2007, the Funds recorded the following reclassifications:

|                                                          | Arizona<br>Municipal<br>Fund | Minnesota<br>Municipal<br>Fund II |
|----------------------------------------------------------|------------------------------|-----------------------------------|
| Undistributed (Accumulated) net investment income (loss) | \$ 13,438                    | \$ (11,464)                       |
| Accumulated net realized gains (losses)                  | (13,438)                     | 11,464                            |

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, 2007 will expire as follows:

Minnesota  
Municipal  
Fund II

|       |           |
|-------|-----------|
| 2008  | \$175,394 |
| 2009  | 175,804   |
| 2010  | 8,416     |
| 2013  | 9,826     |
| Total | \$369,440 |

For the year ended March, 31 2007, Arizona Municipal Fund and Minnesota Municipal Fund II utilized \$30,981 and \$164,149, respectively, of capital loss carryforwards.

## 6. Capital Stock

Pursuant to their articles of incorporation, Arizona Municipal Fund, Colorado Insured Municipal Fund and Minnesota Municipal Fund II each have 200 million shares of \$0.01 par value common shares authorized. Florida Insured 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, 2007. 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, 2007, 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 Florida Insured Municipal Fund, which has an unlimited amount of \$0.01 par value preferred shares authorized. On May 14, 1993, Arizona Municipal Fund and Florida Insured Municipal Fund issued 500 and 400 preferred shares, respectively. Also on that date, Minnesota Municipal Fund II issued 600 Series A and 600 Series B preferred shares. On September 23, 1993, Colorado Insured Municipal Fund issued 800 preferred shares. The preferred shares of each Fund have a liquidation preference of \$50,000 per share plus an amount equal to accumulated but unpaid dividends.

In connection with the reorganizations described in Note 7 on the next page, shareholders of Minnesota Municipal Income Fund II approved amendments to its charter to create two new series to absorb the preferred stock of Delaware Investments Minnesota Municipal Income Fund, Inc. ("Minnesota Municipal Fund") and Delaware Investments Minnesota Municipal Income Fund III, Inc. ("Minnesota Municipal Fund III"). These series have identical rights and preferences (including liquidation rights) in all material respects to the preferred shares of Minnesota Municipal Fund and Minnesota Municipal Fund III, and are substantially similar to the Series A and B preferred shares of Minnesota Municipal Fund II with respect to their preferences, voting powers, restrictions, limitation as to dividends, qualifications, liquidation rights, and term and conditions of redemption. Minnesota Municipal Fund II issued 400 Series C Preferred Shares to preferred shareholders of Minnesota Municipal Fund in exchange for that Fund's preferred shares and 300 Series D Preferred Shares to preferred shareholders of Minnesota Municipal Fund III in exchange for that Fund's preferred shares at the close of the reorganization on February 24, 2006.

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## 6. Capital Stock (continued)

Dividends for the outstanding preferred shares of each Fund are cumulative at a rate established at the initial public offering and are typically reset every 28 days based on the results of an auction. Dividend rates (adjusted for any capital gain distributions) ranged during the year ended March 31, 2007 as follows:

| Fund                            | Low   |    | High  |
|---------------------------------|-------|----|-------|
| Arizona Municipal Fund          | 3.00% | to | 4.45% |
| Colorado Insured Municipal Fund | 3.05% | to | 4.11% |
| Florida Insured Municipal Fund  | 3.00% | to | 4.35% |
| Minnesota Municipal Fund II     | 3.21% | to | 3.95% |

Citigroup Global Markets, Inc. (formerly Salomon Smith Barney, Inc.) and Merrill Lynch Pierce, Fenner & Smith Inc. (Colorado Insured 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. 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. Fund Reorganization

At the close of business on February 24, 2006, Minnesota Municipal Income Fund II acquired substantially all of the assets of Minnesota Municipal Fund and Minnesota Municipal Fund III, each pursuant to an Agreement and Plan of Acquisition (the "Reorganization"). The common shareholders of Minnesota Municipal Fund and Minnesota Municipal Fund III each received common shares of Minnesota Municipal Fund II equal to the aggregate net asset value of their respective shares prior to the Reorganization. The preferred shares of Minnesota Municipal Fund and Minnesota Municipal Fund III received the same number of Series C and Series D preferred shares, respectively, of Minnesota Municipal Fund II as they held in their respective Funds prior to the Reorganization (see Note 6). The Reorganizations were treated as non-taxable events and, accordingly, Minnesota Municipal Fund II's basis in the securities acquired reflected the historical cost basis as of the date of transfer. The net assets, net unrealized appreciation and accumulated net realized gain (loss) of Minnesota Municipal Fund and Minnesota Municipal Fund III as of the close of business on February 24, 2006, were as follows:

|                              | Net Assets   | Net Unrealized<br>Appreciation | Accumulated<br>Net<br>Realized<br>Gain/Loss |
|------------------------------|--------------|--------------------------------|---------------------------------------------|
| Minnesota Municipal Fund     | \$38,077,404 | \$2,648,640                    | \$ 2,145                                    |
| Minnesota Municipal Fund III | 25,566,621   | 1,999,455                      | (81,744)                                    |

The net assets of Minnesota Municipal Fund II prior to the Reorganizations were \$108,531,274. The combined net assets of Minnesota Municipal Fund II after the Reorganization were \$172,175,299.

Minnesota Municipal Fund II continues to trade and is listed on the American Stock Exchange. Beginning on February 27, 2006 and going forward, however, Minnesota Municipal Fund and Minnesota Municipal Fund III will no longer trade or be listed on the American Stock Exchange, and their corporate existence will be liquidated and dissolved. In January 2007, shareholders of Minnesota Municipal Fund and Minnesota Municipal Fund III received Form 1099-DIV that reported the amount and character of each Fund's distributions paid in calendar year 2006.

Common and preferred shares of Minnesota Municipal Fund II issued to shareholders of Minnesota Municipal Fund and Minnesota Municipal Fund III in connection with the Reorganizations were as follows:

|                              | Common<br>Shares Issued | Exchange<br>Ratio | Preferred<br>Shares Issued | Exchange<br>Ratio |
|------------------------------|-------------------------|-------------------|----------------------------|-------------------|
| Minnesota Municipal Fund     | 2,543,581               | 1.02 to 1         | 400                        | 1 to 1            |
| Minnesota Municipal Fund III | 1,709,194               | 1.08 to 1         | 300                        | 1 to 1            |

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# Notes to financial statements

## Delaware Investments Closed-End Municipal Bond Funds

## 8. 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 their portfolios. Duration measures a portfolio's sensitivity to changes in interest rates. By holding inverse floaters with a different duration than the underlying bonds that the Funds transferred to the trust, the Funds seek 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.

Previously, the Funds treated these transactions as a sale of the bonds and as a purchase of the inverse floating rate securities. Under Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (FAS 140), the transfer of the bonds is not considered a sale, but rather a form of financing for accounting purposes.

## 9. 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 Fund's 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 economic conditions, and differing levels of supply and demand for municipal bonds. Many municipalities insure repayment for their obligations. Although bond insurance reduces the risk of loss due to default by an issuer, such bonds remain subject to the risk that value may fluctuate for other reasons and there is no assurance that the insurance company will meet its obligations. 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 issue's proceeds are escrowed only until a permitted call date or dates on the refunded issue with the refunded issue being redeemed at the time, including any required premium. Bonds become "defeased" when the rights and interests of the bondholders and 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 Moody's Investors Service, Inc., Standard & Poor's Ratings Group, and/or Fitch Ratings due to the strong credit quality of the escrow securities and the irrevocable nature of the escrow deposit agreement.

Each Fund may invest up to 15% of its total 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 Fund's Board of Trustees/Directors has delegated to DMC the day-to-day functions of determining whether individual securities are liquid for purposes of each Fund's limitation on investments in illiquid assets. At March 31, 2007, there were no Rule 144A securities and no securities have been determined to be illiquid under the Funds' Liquidity Procedures.

## 10. 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.

**11. Tax Information (Unaudited)**

The information set forth below is for each Fund's fiscal year as required by federal 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, 2007, each Fund designates distributions paid during the year as follows:

|                                 | (A)<br>Long-Term<br>Capital Gains<br>Distributions<br>(Tax Basis) | (B)<br>Tax-<br>Exempt<br>Distributions<br>(Tax Basis) | Total<br>Distributions<br>(Tax Basis) |
|---------------------------------|-------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
| Arizona Municipal Fund          | 4%                                                                | 96%                                                   | 100%                                  |
| Colorado Insured Municipal Fund | 7%                                                                | 93%                                                   | 100%                                  |
| Florida Insured Municipal Fund  | 7%                                                                | 93%                                                   | 100%                                  |
| Minnesota Municipal Fund II     |                                                                   | 100%                                                  | 100%                                  |

(A) and (B) are based on a percentage of each Fund's total distributions.

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## Report of independent registered public accounting firm

To the Shareholders and Board of Directors/Trustees  
 Delaware Investments Arizona Municipal Income Fund, Inc.  
 Delaware Investments Colorado Insured Municipal Income Fund, Inc.  
 Delaware Investments Florida Insured Municipal Income Fund  
 Delaware Investments Minnesota Municipal Income Fund II, Inc.

We have audited the accompanying statements of net assets of Delaware Investments Arizona Municipal Income Fund, Inc., Delaware Investments Colorado Insured Municipal Income Fund, Inc., Delaware Investments Florida Insured Municipal Income Fund and Delaware Investments Minnesota Municipal Income Fund II, Inc. (the "Funds"), as of March 31, 2007, 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, 2007, 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.

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In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the respective Funds at March 31, 2007, 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 15, 2007

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## Other Fund information

### Delaware Investments Closed-End Municipal Bond Funds

#### Changes to the Funds' Investment Policies

At a meeting on August 16-17, 2006, the Funds' Boards of Directors/Trustees approved the following changes and clarifications to the Funds' non-fundamental investment policies. The changes became effective on September 1, 2006.

**Delaware Investments Arizona Municipal Income Fund, Inc.** [The Fund may invest up to 20% of its net assets in municipal obligations issued by or on behalf of territories of the United States [such as Guam, the U.S. Virgin Islands or Puerto Rico] that are exempt from Arizona and federal income tax, subject to the Fund's fundamental investment policy to invest 80% of its net assets in Arizona municipal obligations.

The Fund may invest in the lowest tier of investment grade rated bonds (i.e., rated Baa by Moody's or BBB by S&P).

**Delaware Investments Colorado Insured Municipal Income Fund, Inc.** [The Fund may invest up to 20% of its net assets in municipal obligations issued by or on behalf of territories of the United States [such as Guam, the U.S. Virgin Islands or Puerto Rico] that are exempt from Colorado and federal income tax, subject to the Fund's fundamental investment policy to invest 80% of its net assets in Colorado municipal obligations.

**Delaware Investments Florida Insured Municipal Income Fund** [The Fund may invest up to 20% of its net assets in municipal obligations issued by or on behalf of territories of the United States [such as Guam, the U.S. Virgin Islands or Puerto Rico] that are exempt from federal income tax subject to the Fund's fundamental investment policy to invest 80% of its net assets in Florida municipal obligations.

**Delaware Investments Minnesota Municipal Income Fund II, Inc.** [The Fund may invest in municipal obligations issued by or on behalf of territories of the United States [such as Guam, the U.S. Virgin Islands or Puerto Rico] that are exempt from Minnesota and federal income tax to the extent that not more than 5% of the Fund's exempt interest dividends are derived from such obligations, subject to the Fund's fundamental investment policy to invest 80% of its net assets in Minnesota municipal obligations.

The Fund may invest in the lowest tier of investment grade rated bonds (i.e., rated Baa by Moody's or BBB by S&P).

#### Proxy Results

The shareholders of Delaware Investments Arizona Municipal Income Fund, Inc., Delaware Investments Colorado Insured Municipal Income Fund, Inc., Delaware Investments Florida Insured Municipal Income Fund, and Delaware Investments Minnesota Municipal Income Fund II, Inc. (each, a "Fund") voted on the following proposals (as applicable) at the annual meeting of shareholders on August 16, 2006 (the "Annual Meeting"). The description of each proposal and number of shares voted are as follows:

1. To elect a Board of Directors for each Fund.

Delaware Investments Arizona Municipal Income Fund, Inc.

|                     | Common Shareholders |                    | Preferred Shareholders |                    |
|---------------------|---------------------|--------------------|------------------------|--------------------|
|                     | Shares Voted For    | Shares Voted       | Shares Voted For       | Shares Voted       |
|                     |                     | Withheld Authority |                        | Withheld Authority |
| Patrick P. Coyne *  | 2,922,669           | 23,287             |                        |                    |
| Thomas L. Bennett   | 2,922,156           | 23,800             |                        |                    |
| John A. Fry         | 2,922,669           | 23,287             |                        |                    |
| Anthony D. Knerr    | 2,922,669           | 23,287             |                        |                    |
| Lucinda S. Landreth | 2,922,669           | 23,287             |                        |                    |
| Ann R. Leven        | 2,922,669           | 23,287             |                        |                    |
| Thomas F. Madison   |                     |                    | 490                    | 0                  |
| Janet L. Yeomans    |                     |                    | 490                    | 0                  |
| J. Richard Zecher   | 2,922,669           | 23,287             |                        |                    |

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## Other Fund information

### Delaware Investments Closed-End Municipal Bond Funds

Delaware Investments Colorado Insured Municipal Fund, Inc.

|                     | Common Shareholders |                    | Preferred Shareholders |                    |
|---------------------|---------------------|--------------------|------------------------|--------------------|
|                     | Shares Voted For    | Shares Voted       | Shares Voted For       | Shares Voted       |
|                     |                     | Withheld Authority |                        | Withheld Authority |
| Patrick P. Coyne *  | 4,582,707           | 56,914             |                        |                    |
| Thomas L. Bennett   | 4,549,334           | 90,287             |                        |                    |
| John A. Fry         | 4,582,207           | 57,414             |                        |                    |
| Anthony D. Knerr    | 4,583,741           | 55,880             |                        |                    |
| Lucinda S. Landreth | 4,584,407           | 55,214             |                        |                    |
| Ann R. Leven        | 4,584,688           | 54,933             |                        |                    |
| Thomas F. Madison   |                     |                    | 507                    | 0                  |
| Janet L. Yeomans    |                     |                    | 507                    | 0                  |
| J. Richard Zecher   | 4,584,157           | 55,464             |                        |                    |

Delaware Investments Florida Insured Municipal Fund

|                     | Common Shareholders |                    | Preferred Shareholders |                    |
|---------------------|---------------------|--------------------|------------------------|--------------------|
|                     | Shares Voted For    | Shares Voted       | Shares Voted For       | Shares Voted       |
|                     |                     | Withheld Authority |                        | Withheld Authority |
| Patrick P. Coyne *  | 2,272,312           | 13,322             |                        |                    |
| Thomas L. Bennett   | 2,267,912           | 17,722             |                        |                    |
| John A. Fry         | 2,272,312           | 13,322             |                        |                    |
| Anthony D. Knerr    | 2,272,312           | 13,322             |                        |                    |
| Lucinda S. Landreth | 2,272,312           | 13,322             |                        |                    |
| Ann R. Leven        | 2,270,212           | 15,422             |                        |                    |

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|                   |           |        |   |
|-------------------|-----------|--------|---|
| Thomas F. Madison |           | 398    | 2 |
| Janet L. Yeomans  |           | 398    | 2 |
| J. Richard Zecher | 2,270,212 | 15,422 |   |

Delaware Investments Minnesota Municipal Income Fund II, Inc.

| Common Shareholders |                  |                                    | Preferred Shareholders |                                    |
|---------------------|------------------|------------------------------------|------------------------|------------------------------------|
|                     | Shares Voted For | Shares Voted<br>Withheld Authority | Shares Voted For       | Shares Voted<br>Withheld Authority |
| Patrick P. Coyne *  | 9,972,071        | 367,397                            |                        |                                    |
| Thomas L. Bennett   | 9,966,036        | 373,432                            |                        |                                    |
| John A. Fry         | 9,971,763        | 367,705                            |                        |                                    |
| Anthony D. Knerr    | 9,968,331        | 371,137                            |                        |                                    |
| Lucinda S. Landreth | 9,974,924        | 364,544                            |                        |                                    |
| Ann R. Leven        | 9,976,761        | 362,707                            |                        |                                    |
| Thomas F. Madison   |                  |                                    | 1,416                  | 0                                  |
| Janet L. Yeomans    |                  |                                    | 1,416                  | 0                                  |
| J. Richard Zecher   | 9,969,705        | 369,763                            |                        |                                    |

\*Subsequent to the mailing of the proxy materials for the Annual Meeting, Jude T. Driscoll, a Director/Trustee and one of the nominees for election to the Board of each Fund, resigned from the Board of each Fund, effective August 1, 2006. As a result, Mr. Driscoll withdrew from the election. At a regularly scheduled Board meeting on August 16, 2006, each Fund's Nominating Committee recommended to the applicable Fund's Board substituting Patrick P. Coyne for Mr. Driscoll as a nominee for election to the Board and each Board recommended naming Mr. Coyne as a substitute nominee for election to the Board.

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As disclosed in the Proxy Statement, in the case of the withdrawal of a nominee for election, the power given by shareholders in the Proxy Card may be used by the persons named as proxies to vote for a substitute nominee or nominees as recommended by the existing Board. Accordingly, the proxies exercised their discretion to vote for the Mr. Coyne, the substitute nominee for election to each Board, at the Annual Meeting.

As described in a press release dated August 17, 2006, Delaware Investments Arizona Municipal Income Fund, Inc. and Delaware Investments Minnesota Municipal Income Fund II, Inc. announced that each Fund's Board of Directors/Trustees approved the following clarifications to the Funds' non-fundamental investment policies at a meeting held on August 16-17, 2006. These clarifications became effective September 4, 2006.

## Delaware Investments Arizona Municipal Income Fund, Inc.

The Fund may invest up to 20% of its net assets in municipal obligations issued by or on behalf of territories of the United States — such as Guam, the U.S. Virgin Islands or Puerto Rico — that are exempt from Arizona and federal income tax, subject to the Fund's fundamental investment policy to invest 80% of its net assets in Arizona municipal obligations. The Fund may invest without limit in the lowest tier of investment grade rated bonds (i.e., rated Baa by Moody's or BBB by S&P).

## Delaware Investments Colorado Insured Municipal Income Fund, Inc.

The Fund may invest up to 20% of its net assets in municipal obligations issued by or on behalf of territories of the United States — such as Guam, the U.S. Virgin Islands or Puerto Rico — that are exempt from Colorado and federal income tax, subject to the Fund's fundamental investment policy to invest 80% of its net assets in Colorado insured municipal obligations.

## Delaware Investments Florida Insured Municipal Income Fund

The Fund may invest up to 20% of its net assets in municipal obligations issued by or on behalf of territories of the United States — such as Guam, the U.S. Virgin Islands or Puerto Rico — that are exempt from federal income tax subject to the Fund's fundamental investment policy to invest 80% of its net assets in Florida insured municipal obligations.

## Delaware Investments Minnesota Municipal Income Fund II, Inc.

The Fund may invest in municipal obligations issued by or on behalf of territories of the United States — such as Guam, the U.S. Virgin Islands or Puerto Rico — that are exempt from Minnesota and federal income tax to the extent that not more than 5% of the Fund's exempt interest dividends are derived from such obligations, subject to the Fund's fundamental investment policy to invest 80% of its net assets in Minnesota municipal obligations. The Fund may invest without limit in the lowest tier of

investment grade rated bonds (i.e., rated Baa by Moody's or BBB by S&P).

As described in a press release dated February 20, 2007, Delaware Investments Arizona Municipal Income Fund, Inc. and Delaware Investments Minnesota Municipal Income Fund II, Inc. announced that each Fund's Board of Directors approved the following changes to the Funds' non-fundamental investment policies at a meeting held on February 14-15, 2007. These changes became effective April 23, 2007.

**Delaware Investments Arizona Municipal Income Fund, Inc.**

The Fund will invest at least 80% of its net assets in investment grade quality Arizona municipal bonds. The Fund may invest up to 20% of its net assets in municipal bonds that are rated Ba1/BB+ or lower or that are unrated but judged to be of comparable quality by the Fund's investment adviser. Investment in municipal bonds of below investment grade quality involves special risks as compared with investment in higher grade municipal bonds. These risks may include greater sensitivity to a general economic downturn, greater market price volatility and less secondary market trading. Securities rated below investment grade are commonly known as "junk bonds." Such securities are regarded, on balance, as predominantly speculative with respect to the issuer's ability to pay interest and repay principal owed.

**Delaware Investments Minnesota Municipal Income Fund II, Inc.**

The Fund will invest at least 80% of its net assets in investment grade quality Minnesota municipal bonds. The Fund may invest up to 20% of its net assets in municipal bonds that are rated Ba1/BB+ or lower or that are unrated but judged to be of comparable quality by the Fund's investment adviser. Investment in municipal bonds of below investment grade quality involves special risks as compared with investment in higher grade municipal bonds. These risks may include greater sensitivity to a general economic downturn, greater market price volatility and less secondary market trading. Securities rated below investment grade are commonly known as "junk bonds." Such securities are regarded, on balance, as predominantly speculative with respect to the issuer's ability to pay interest and repay principal owed.

As described in a press release dated May 16, 2007, Delaware Investments Colorado Insured Municipal Income Fund, Inc. and Delaware Investments Florida Insured Municipal Income Fund announced that each Fund's Board of Directors/Trustees approved the following changes to the Funds' fundamental investment policies be submitted to shareholders at each Fund's upcoming annual shareholder meeting to be held in August 2007.

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## Other Fund information

### Delaware Investments Closed-End Municipal Bond Funds

**Delaware Investments Colorado Insured Municipal Income Fund, Inc.**

The Fund will seek approval of the elimination of a fundamental policy requiring it to invest 80% of its net assets in Colorado municipal bonds insured by insurance companies with AAA-rated claims-paying ability. If approved, this fundamental investment policy would be replaced by non-fundamental investment policies permitting the Fund to invest without limitation in uninsured, Colorado municipal securities rated investment grade (including below AAA) as well as invest up to 20% of its net assets in non-investment grade Colorado municipal securities. Investment in municipal bonds of below investment grade quality involves special risks as compared with investment in higher grade municipal bonds. These risks may include greater sensitivity to a general economic downturn, greater market price volatility and less secondary market trading. Securities rated below investment grade are commonly known as "junk bonds." Such securities are regarded, on balance, as predominantly speculative with respect to the issuer's ability to pay interest and repay principal owed. Coincident with the proposed changes, the Fund's name would be changed to "Delaware Investments Colorado Municipal Income Fund, Inc."

**Delaware Investments Florida Insured Municipal Income Fund**

The Fund will seek approval of the elimination of a fundamental policy requiring it to invest 80% of its net assets in Florida municipal bonds insured by insurance companies with AAA-rated claims-paying ability. If approved, this fundamental investment policy would be replaced by non-fundamental investment policies permitting the Fund to invest without limitation in uninsured, municipal securities of any state that are rated investment grade (including below AAA) as well as invest up to 20% of its net assets in non-investment grade municipal securities. Investment in municipal bonds of below investment grade quality involves special risks as compared with investment in higher grade municipal bonds. These risks may include greater sensitivity to a general economic downturn, greater market price volatility and less secondary market trading. Securities rated below

investment grade are commonly known as "junk bonds." Such securities are regarded, on balance, as predominantly speculative with respect to the issuer's ability to pay interest and repay principal owed. Coincident with the proposed changes, the Fund's name would be changed to "Delaware Investments National Municipal Income Fund." If approved by shareholders, the Fund anticipates that for an undetermined period of time it would remain significantly invested in Florida municipal bonds, and would gradually transition to a more nationally diversified portfolio in an attempt to help minimize the tax impact of the transition on shareholders.

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## Board of directors/trustees and officers addendum

### Delaware Investments® Family of Funds

A mutual fund is governed by a Board of Directors/Trustees, which has oversight responsibility for the management of a fund's business affairs. Directors/Trustees establish procedures and oversee and review the performance of the investment manager, the distributor, and others who perform services for the fund. The independent fund directors/trustees, in particular, are advocates for shareholder interests. Each director/trustee has served in that capacity since he or she was elected to or appointed to the Board of Directors, and will continue to serve until his or her retirement or the election of a new director/trustee in his or her place. The following is a list of the Directors and Officers with certain background and related information.

| Name,<br>Address,<br>and Birth Date                                                                          | Position(s)<br>Held with Fund(s)                                       | Length of<br>Time Served                                                                                               | Principal Occupation(s)<br>During Past 5 Years                                                                                                              | Number of<br>Portfolios in Fund<br>Complex Overseen<br>by Director<br>or Officer | Other<br>Director or<br>Officer of<br>Fund                                  |
|--------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| <b>Interested Trustees</b>                                                                                   |                                                                        |                                                                                                                        |                                                                                                                                                             |                                                                                  |                                                                             |
| <b>Patrick P. Coyne<sup>1</sup></b><br>2005 Market Street<br>Philadelphia, PA<br>19103<br><br>April 14, 1963 | Chairman,<br>President,<br>Chief Executive<br>Officer, and<br>Director | Chairman and Director<br>since August 16, 2006<br><br>President and<br>Chief Executive Officer<br>since August 1, 2006 | Patrick P. Coyne has served in<br>various executive capacities<br>at different times at<br>Delaware Investments. <sup>2</sup>                               | 83                                                                               | No                                                                          |
| <b>Independent Trustees</b>                                                                                  |                                                                        |                                                                                                                        |                                                                                                                                                             |                                                                                  |                                                                             |
| <b>Thomas L. Bennett</b><br>2005 Market Street<br>Philadelphia, PA<br>19103<br><br>October 4, 1947           | Director                                                               | Since<br>March 2005                                                                                                    | Private Investor □<br>(March 2004–Present)<br><br>Investment Manager □<br>Morgan Stanley & Co.<br>(January 1984–March 2004)                                 | 83                                                                               | No                                                                          |
| <b>John A. Fry</b><br>2005 Market Street<br>Philadelphia, PA<br>19103<br><br>May 28, 1960                    | Director                                                               | Since<br>January 2001                                                                                                  | President □<br>Franklin & Marshall College<br>(June 2002–Present)<br><br>Executive Vice President □<br>University of Pennsylvania<br>(April 1995–June 2002) | 83                                                                               | Director of<br>Community<br>System<br><br>Director of<br>Allied<br>Security |
| <b>Anthony D. Knerr</b><br>2005 Market Street<br>Philadelphia, PA<br>19103                                   | Director                                                               | Since<br>April 1990                                                                                                    | Founder and Managing Director □<br>Anthony Knerr & Associates<br>(Strategic Consulting)<br>(1990–Present)                                                   | 83                                                                               | No                                                                          |

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|                            |          |                |                          |    |            |
|----------------------------|----------|----------------|--------------------------|----|------------|
| December 7, 1938           |          |                |                          |    |            |
| <b>Lucinda S. Landreth</b> | Director | Since          | Chief Investment Officer | 83 | No         |
| 2005 Market Street         |          | March 2005     | Assurant, Inc.           |    |            |
| Philadelphia, PA           |          |                | (Insurance)              |    |            |
| 19103                      |          |                | (2002-2004)              |    |            |
| June 24, 1947              |          |                |                          |    |            |
| <b>Ann R. Leven</b>        | Director | Since          | Consultant               | 83 | Directo    |
| 2005 Market Street         |          | September 1989 | ARL Associates           |    | Audit Co   |
| Philadelphia, PA           |          |                | (Financial Planning)     |    | Chairpers  |
| 19103                      |          |                | (1983-Present)           |    | Warhol Fo  |
| November 1, 1940           |          |                |                          |    | Director a |
|                            |          |                |                          |    | Committee  |
|                            |          |                |                          |    | System     |

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| Name,<br>Address,<br>and Birth Date     | Position(s)<br>Held with Fund(s) | Length of<br>Time Served | Principal Occupation(s)<br>During Past 5 Years       | Number of<br>Portfolios in Fund<br>Complex Overseen<br>by Director<br>or Officer | C<br>Direc<br>Ho<br>Direc |
|-----------------------------------------|----------------------------------|--------------------------|------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------|
| <b>Independent Trustees</b> (continued) |                                  |                          |                                                      |                                                                                  |                           |
| <b>Thomas F. Madison</b>                | Director                         | Since                    | President and Chief                                  | 83                                                                               | Di                        |
| 2005 Market Street                      |                                  | May 1997                 | Executive Officer                                    |                                                                                  | Bann                      |
| Philadelphia, PA                        |                                  |                          | MLM Partners, Inc.                                   |                                                                                  | D                         |
| 19103                                   |                                  |                          | (Small Business Investing<br>and Consulting)         |                                                                                  | Center                    |
| February 25, 1936                       |                                  |                          | (January 1993-Present)                               |                                                                                  | Directo                   |
|                                         |                                  |                          |                                                      |                                                                                  | Commis                    |
|                                         |                                  |                          |                                                      |                                                                                  | Digital                   |
|                                         |                                  |                          |                                                      |                                                                                  | Directo                   |
|                                         |                                  |                          |                                                      |                                                                                  | Commis                    |
|                                         |                                  |                          |                                                      |                                                                                  | R                         |
|                                         |                                  |                          |                                                      |                                                                                  | Corp                      |
|                                         |                                  |                          |                                                      |                                                                                  | Directo                   |
|                                         |                                  |                          |                                                      |                                                                                  | Indus                     |
| <b>Janet L. Yeomans</b>                 | Director                         | Since                    | Vice President                                       | 83                                                                               | M                         |
| 2005 Market Street                      |                                  | April 1999               | (January 2003-Present)                               |                                                                                  |                           |
| Philadelphia, PA                        |                                  |                          | and Treasurer                                        |                                                                                  |                           |
| 19103                                   |                                  |                          | (January 2006-Present)                               |                                                                                  |                           |
| July 31, 1948                           |                                  |                          | 3M Corporation                                       |                                                                                  |                           |
|                                         |                                  |                          | Ms. Yeomans has held<br>various management positions |                                                                                  |                           |

|                                                                                                      |                                                                             |                                                                                                |                                                                                          |    |                                      |
|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|----|--------------------------------------|
| <b>J. Richard Zecher</b><br>2005 Market Street<br>Philadelphia, PA<br>19103<br><br>July 3, 1940      | Director                                                                    | Since<br>March 2005                                                                            | at 3M Corporation since 1983.                                                            | 83 | Director<br>Committee<br>Investor    |
|                                                                                                      |                                                                             |                                                                                                | Founder □<br>Investor Analytics<br>(Risk Management)<br>(May 1999□Present)               |    | Director<br>Committee<br>Origination |
|                                                                                                      |                                                                             |                                                                                                | Founder □<br>Sutton Asset Management<br>(Hedge Fund)<br>(September 1998□Present)         |    |                                      |
|                                                                                                      |                                                                             |                                                                                                |                                                                                          |    |                                      |
| <b>Officers</b>                                                                                      |                                                                             |                                                                                                |                                                                                          |    |                                      |
| <b>David F. Connor</b><br>2005 Market Street<br>Philadelphia, PA<br>19103<br><br>December 2, 1963    | Vice President,<br>Deputy General<br>Counsel, and Secretary                 | Vice President since<br>September 21, 2000<br>and Secretary<br>since<br>October 2005           | David F. Connor has served as                                                            | 83 | M                                    |
|                                                                                                      |                                                                             |                                                                                                | Vice President and Deputy<br>General Counsel of<br>Delaware Investments<br>since 2000.   |    |                                      |
| <b>David P. O□Connor</b><br>2005 Market Street<br>Philadelphia, PA<br>19103<br><br>February 21, 1966 | Senior Vice<br>President,<br>General Counsel,<br>and Chief<br>Legal Officer | Senior Vice President,<br>General Counsel, and<br>Chief Legal Officer<br>since<br>October 2005 | David P. O□Connor has served in                                                          | 83 | M                                    |
|                                                                                                      |                                                                             |                                                                                                | various executive and legal<br>capacities at different times<br>at Delaware Investments. |    |                                      |
| <b>John J. O□Connor</b><br>2005 Market Street<br>Philadelphia, PA<br>19103<br><br>June 16, 1957      | Senior Vice President<br>and Treasurer                                      | Treasurer<br>since<br>February 2005                                                            | John J. O□Connor has served in                                                           | 83 | M                                    |
|                                                                                                      |                                                                             |                                                                                                | various executive capacities<br>at different times at<br>Delaware Investments.           |    |                                      |
| <b>Richard Salus</b><br>2005 Market Street<br>Philadelphia, PA<br>19103<br><br>October 4, 1963       | Senior<br>Vice President<br>and<br>Chief Financial<br>Officer               | Chief Financial<br>Officer since<br>November 1, 2006                                           | Richard Salus has served in                                                              | 83 | M                                    |
|                                                                                                      |                                                                             |                                                                                                | various executive capacities<br>at different times at<br>Delaware Investments.           |    |                                      |

<sup>1</sup> Patrick P. Coyne is considered to be an Interested Director because he is an executive officer of the Fund's investment advisor.

<sup>2</sup> Delaware Investments is the marketing name for Delaware Management Holdings, Inc. and its subsidiaries, including the Fund's investment advisor and its administrator.

<sup>3</sup> David F. Connor, David P. O'Connor, John J. O'Connor, and Richard Salus serve in similar capacities for the six portfolios of the Optimum Fund Trust, which have the same investment advisor as the registrant. John J. O'Connor also serves in a similar capacity for Lincoln Variable Insurance Products Trust, which has the same investment advisor as the registrant.

## About the organization

This annual report is for the information of Delaware Investments Closed-End Municipal Bond Funds shareholders, but it may be used with prospective investors when preceded or accompanied by a current prospectus for Delaware Investments Closed-End Municipal Bond Funds and the Delaware Investments® Performance Update for the most recently completed calendar quarter. The prospectus sets forth details about charges, expenses, investment objectives, and operating policies of the Fund. You should read the prospectus carefully before you invest. The figures in this report represent past results that are not a guarantee of future results. The return and principal value of an investment in the Fund will fluctuate so that shares, when sold, may

be worth more or less than their original cost.

#### Board of trustees

##### **Patrick P. Coyne**

Chairman, President, and  
Chief Executive Officer  
Delaware Investments® Family of  
Funds  
Philadelphia, PA

##### **Thomas L. Bennett**

Private Investor  
Rosemont, PA

##### **John A. Fry**

President  
Franklin & Marshall College  
Lancaster, PA

##### **Anthony D. Knerr**

Founder and Managing Director  
Anthony Knerr & Associates  
New York, NY

##### **Lucinda S. Landreth**

Former Chief Investment Officer  
Assurant, Inc.  
Philadelphia, PA

##### **Ann R. Leven**

Consultant  
ARL Associates  
New York, NY

##### **Thomas F. Madison**

President and Chief Executive  
Officer  
MLM Partners, Inc.  
Minneapolis, MN

##### **Janet L. Yeomans**

Vice President and Treasurer  
3M Corporation  
St. Paul, MN

##### **J. Richard Zecher**

Founder  
Investor Analytics  
Scottsdale, AZ

#### Affiliated officers

##### **David F. Connor**

Vice President, Deputy General  
Counsel,  
and Secretary  
Delaware Investments Family of  
Funds  
Philadelphia, PA

##### **David P. O'Connor**

Senior Vice President, General  
Counsel,  
and Chief Legal Officer  
Delaware Investments Family of  
Funds  
Philadelphia, PA

##### **John J. O'Connor**

Senior Vice President and Treasurer  
Delaware Investments Family of  
Funds  
Philadelphia, PA

##### **Richard Salus**

Senior Vice President and  
Chief Financial Officer  
Delaware Investments Family of  
Funds  
Philadelphia, PA

Each Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. Each Fund's Form N-Q, as well as a description of the policies and procedures that each Fund uses to determine how to vote proxies (if any) relating to portfolio securities is available without charge (i) upon request, by calling 800 523-1918; (ii) on each Fund's Web site at <http://www.delawareinvestments.com>; and (iii) on the Commission's Web s