

Delaware Investments Colorado Municipal Income Fund, Inc.  
Form N-CSR  
June 02, 2009

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: 811-07810

Exact name of registrant as specified in charter:  
Delaware Investments Colorado 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, 2009

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Item 1. Reports to Stockholders

Annual Report

Delaware  
Investments  
Closed-End  
Municipal Bond  
Funds

March 31, 2009



Closed-end funds

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

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## Portfolio management review

### Delaware Investments Closed-End Municipal Bond Funds

April 7, 2009

#### Economic and market environment

Although investors have experienced many extremes since the start of the credit crisis, none compared to the historic economic and market events that took place during the latter half of the fiscal period. These were among the events:

- The federal funds target rate dropped to effectively zero.
- Yields on 10-year Treasury notes declined to almost 2.0%.
- The S&P 500 Index completed its worst calendar year (2008) since the Great Depression.
- Corporate bond spreads exceeded 6% in investment grade bonds and 19% in high yield bonds.
- For 30-year fixed mortgage loans that met Freddie Mac and Fannie Mae requirements, interest rates approached record lows of nearly 4.7%.

Further, historic weakness across a wide range of indicators, including employment data, retail, housing and auto sales, and forecasted gross domestic product fueled a flight to higher-quality investments across sectors.

An equally momentous set of events took place within the municipal bond market during the reporting period, as the market underwent a change in its basic structure and risk characteristics. In particular, the municipal bond market became increasingly split, with a strict separation between the highest grade bonds and all others within the universe. Bids for AAA-rated bond issues, for example, remained both plentiful and strong, while bids for lower investment grades were often scant and weak. In a way, this mimicked the taxable market, where Treasury issues were popular while demand for everything else paled in comparison. The reasons for the split within the municipal market are listed below:

- The crumbling of monoline insurance
- The resulting collapse of the auction-rate securities (ARS) market
- Deleveraging by nontraditional participants
- Balance sheet constraints at broker/dealers
- General risk avoidance

Although the first round of monoline insurance company downgrades (from their AAA-status) took place just prior to the beginning of the fiscal year, this action impacted the municipal market throughout the reporting period, virtually freezing the sales of auction-rate securities (ARS) and requiring ARS investors to continue to hold their investments. ARS are fixed income investments for which the interest rate is reset at frequent auctions, which are

typically held every 35 days or less. Failed auctions forced some ARS holders, who may have originally viewed ARS as short-term liquid investments, to hold their ARS indefinitely.

Severe selling pressure from nontraditional buyers (including participants in tender-option bond programs and hedge fund investment managers) created additional difficulties for municipal investors during the reporting period. Historically, support from these nontraditional buyers helped the municipal market outperform Treasury bonds even during periods of record and near-record numbers of newly issued bonds.

In addition, as these municipal investors were forced to deleverage in response to tightening liquidity conditions, they sold any assets they could, including billions of dollars worth of municipal bonds. Severe capitalization constraints within the investment banking community compounded municipal market problems. Once the capital positions of many investment banks were compromised, bank executives were less willing to provide liquidity to the municipal market.

Interest in municipal bonds wavered as investors fled virtually every asset class other than Treasuries. In October 2008, for example, three consecutive weeks of outflows exceeded \$1 billion each, ranking among the 10 highest outflow weeks on record (source: Barclays Capital). Though this marked a high point for outflows, the October flood was indicative of the broader flight toward Treasuries that developed during the annual period.

The views expressed are current as of March 31, 2009, and are subject to change.

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## Portfolio management review

### Delaware Investments Closed-End Municipal Bond Funds

#### **The technical environment**

One of the year's most notable developments, in our opinion, was that municipal bonds became a "cheap" asset class. A brief comparison of municipal bond yields to Treasury bond yields can provide perspective about the relative attractiveness of municipal bonds.

Municipal bonds normally trade with lower yields than Treasury bonds due to their favorable tax treatment (bond yields move in the opposite direction to their price). Yet as the credit crisis evolved, investors began to accept virtually no yield for Treasury bonds because of their lower risk. At the same time, they expected yield premiums from all other asset classes, including municipal bonds.

The ratio of municipal bond yields (AAA-rated, with 30 years to maturity) to Treasury bond yields peaked as high as 208% in December 2008. Subsequently, the ratio declined, finishing the annual period at 188%. To put these figures in perspective, this ratio has averaged 93.77% over the past 20 years (source: Thomson). For investors in the 28% or 35% tax bracket, yields of this size represented value, in our opinion, offering investors the ability to buy tax-exempt bonds with yields similar to or above those of taxable bonds.

Furthermore, the spread between municipal bonds with 2 years to maturity and those with 30 years to maturity widened significantly during the reporting period, resulting in a markedly steeper yield curve at the end of the period than at its start. As the credit crisis deepened, spreads widened beyond 3.00%, and finished the period at 3.64%. The average historical spread between 2-year and 30-year municipal bonds is 2.00%. (Source: Thomson.)

#### **Fund positioning**

Broadly speaking, as the cost of "risk" began to rise during the early stages of the credit crisis, prospects improved for bond investors to achieve higher yield premiums for lower credit bonds. We are not suggesting that the municipal market has reached its cheapest levels, or that we have seen the end of the credit crisis. However, we believe that in today's market, investors are being properly compensated for credit risk.

That said, we implemented what we believed to be a fairly conservative investment strategy in managing the Funds over the fiscal year while remaining true to our core philosophy of generating competitive tax-exempt income. In each of the Funds, for example, we maintained significant positions in pre-refunded bonds (described below) as well as those with shorter maturities. We also minimized the Funds' exposure to insured bonds during the period. These decisions contributed positively to each Fund's performance.

Pre-refunded bonds were the best-performing bonds within the entire municipal market. These bonds are found on the short end of the yield curve, and face little if any credit risk. This is because they are backed by the invested debt proceeds of a second bond issue, which typically consists of U.S. Treasury bonds.

The Funds' significant positions in bonds with 10 or fewer years to maturity generally helped performance, as these bonds were less impacted by rising rates than were many longer-term bonds. Our decision to take an underweight position in insured bonds helped the Funds' performance compared to their peer funds, which were frequently more exposed to the collapse of the monoline insurers. Our positioning resulted from credit research. For example, research helped us find value among municipal bond issues that may have been deemed risky by the market due to a low-rated insurer, or a lack of insurance, but we were able to confirm the existence of strong fundamentals at the issuer, despite the market's perception.

Unfortunately, these contributions were partially offset by our emphasis on lower-rated investment grade credit. During a year when only the highest-rated credit performed well, the Funds' slightly overweight positions in A- and BBB-rated securities detracted from returns. Though limited, exposure to continuing care retirement communities (CCRCs) also reduced returns. CCRCs are retirement communities that have independent-living and assisted-living components, as well as nursing homes. The independent-living component is exposed to the housing market, and the nursing home component is exposed to the healthcare industry. This nonrated sector traded lower in value as yields rose during the period.

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### **Redemption of preferred shares**

Extremely illiquid market conditions as well as an unprecedented escalation of commercial paper rates and other short-term municipal interest rates led the Funds to call their preferred shares for redemption and to eliminate each Fund's use of leverage during the reporting period.

In the late summer and fall of 2008, the lack of liquidity and confidence in the markets caused the cost of short-term borrowing to increase significantly. These market conditions contrasted with previous years, when the leverage provided by the preferred shares was frequently beneficial to the common shares, as it had enabled the common shares to borrow at very competitive rates and seek a higher net rate of return with the borrowings. Conversely, when a mutual fund is not able to invest the assets attributable to its preferred shares in securities that provide a higher net rate of return than the current dividend rate payable to the preferred shareholders, the effect of the leverage may cause holders of shares of the common stock to realize a lower rate of return than if that mutual fund was not leveraged.

The Funds' management came to believe that under those market conditions, leverage within the Funds was no longer desirable from an investment perspective, and that the costs associated with the preferred shares were having a negative impact on the Funds' common shareholders.

As a result, the Funds' board of directors/trustees and the Funds' management believed that the elimination of the Funds' leverage was in the best interests of both common and preferred shareholders. By early November 2008, each of the Funds had redeemed all of its preferred shares at par value.

Within the industry, more than \$30 billion worth of preferred shares issued by more than 34 fund families remain outstanding as of March 31, 2009 (source: Thomas J. Herzfeld Advisors). This figure represents half of the preferred shares market total prior to the liquidity crisis in 2008 and reflects the complexity of issues surrounding refinancing or redeeming preferred shares.

To date, Delaware Investments remains one of only seven fund families to have completely redeemed all preferred shares issued by its Funds. Since December 2008, several closed-end funds with outstanding preferred shares announced delays in payment of dividends to those funds' common shareholders.

This delay in payment is triggered when asset coverage ratios have exceeded their allowable coverage, typically 200% for equity instruments and 300% for debt instruments. Payment of any dividends is prohibited until the asset coverage ratio is "cured" by reducing the amount of leverage outstanding, in this case by redeeming preferred shares, or by waiting until such a time that asset levels increase to meet coverage requirements. Because the Delaware Investments Funds redeemed their preferred shares, they were able to avoid situations where low asset coverage ratios could have required them to suspend or delay payments of dividends to holders of common shares.

The Funds' management continues to evaluate new potential methods of leverage and may seek to employ leverage on the Funds again in the future if conditions and new methods warrant doing so. For additional information on the Redemption of Preferred Shares, see Note 7 on page 32 (Notes to financial statements).

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

#### **Conditions in the Arizona economy**

Arizona was heavily affected by the housing downturn. Its unemployment rate climbed to 7.4% in February, though it remained slightly lower than the national rate of 8.5% (source: Bureau of Labor Statistics). Nonfarm payrolls shrank by 6.5% over the 12-month period ended Feb. 28, 2009 (source: www.workforce.az.gov).

The state's 2008 budget summary reflected a significant drawdown of total General Fund balances. State government also faced a potential \$1.6 billion shortfall in its January 2009 budget (which totaled \$9.9 billion). The new governor funded the gap through spending cuts and use of stimulus money, as well as transfers of special purpose funds. The treasurer authorized using the last of the cash in the state's "rainy day fund." (Source: Arizona Treasury.)

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## Portfolio management review

### **Delaware Investments Closed-End Municipal Bond Funds**

Yet, Arizona was in the black due to an emergency distribution of \$307 million of federal stimulus monies, as well as a one-time transfer of \$218 million from special purpose funds. Even with these injections, though, the state did not have enough reserves to meet spending obligations in April 2009. The gap could reach \$500 million by the end of the state's 2008 fiscal year in June 2009, and state officials have set the stage for Arizona to borrow money for the first time in modern history. Unfortunately, next fiscal year 2009 could be even worse because reserves will already be depleted and the state faces a \$2.8 billion deficit. (Source: Arizona Treasury Media Files.)

Nationally, new issue volume for calendar year 2008 fell more than 9% short of the 2007 record total. The combined par value totaled \$390.6 billion. Arizona issuance increased 6.9% in 2008 to total \$9.6 billion. (Source: *The Bond Buyer*.)

#### **Noteworthy sectors and securities**

During the credit crisis in the municipal bond market, credit spreads widened considerably and the yield curve steepened dramatically. Therefore, higher-rated bonds outperformed lower-rated bonds, and shorter-maturity bonds outperformed longer-maturity bonds. Against this backdrop, within the Fund, general obligation bonds issued to finance water and sewer improvements in Scottsdale, as well as an issue to benefit Arizona schools, both performed well. Both bonds were highly rated and featured maturities of approximately 10 years or less.

Alternatively, among the Fund's largest detractors was an industrial development authority (IDA) bond issued by Pima County. The bond was rated BBB- by S&P and matures in 2037. IDA bonds are bonds issued by a government agency on behalf of a private entity to be used generally for the purchase or lease of land, buildings, machinery, or equipment.

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

### **Conditions in the Colorado economy**

Colorado's economy continued to show modest, resilient growth despite the weakness in the national economy. As of January 2009, the state's unemployment rate was 6.6%, well below the national rate of 7.6% at that time (source: Bureau of Labor Statistics). Although certain parts of the state have been distressed by foreclosures, the residential real estate market remained substantially stronger in Colorado than the rest of the country. According to the S&P/Case-Shiller® Home Price Index, Denver's real estate market was one of the strongest of any major metropolitan area of the country (source: S&P).

However, recent economic data suggest that Colorado could experience a mild slowdown. Colorado's General Fund balance decreased in calendar year 2008 by 2.4% of expenditures. Gross General Fund revenues are anticipated to remain relatively level in fiscal 2009, as income tax collections are projected to offset lower excise revenues. Yet beyond fiscal 2009, individual income taxes are forecast to remain suppressed because of projected negative job growth through much of 2009. Retail sales are not anticipated to grow substantially above the projected rate of inflation. General Fund revenue shortfalls are estimated at \$631.9 million in the current fiscal year and \$1.03 billion in fiscal 2010. (Source: Office of State Planning and Budgeting.)

As part of a budget contingency plan, the governor has implemented a hiring freeze, requested institutions and state agencies delay the start of new construction and directed department heads to scrutinize budgets for additional savings to prepare for weaker-than-expected revenues. The governor has balanced the current budget through a reduction in spending in Medicaid, human services, policy changes, reserve changes, and transfers from other funds. The governor's plan for a fiscal 2010 shortfall includes additional General Fund spending reductions in Medicaid, human services, capital construction reduction, and policy changes. (Source: Office of State Planning and Budgeting.)

Nationally, new-issue volume for calendar year 2008 fell more than 9% short of the 2007 record total. The combined par value totaled \$390.6 billion. Within Colorado, issuance decreased by 4.7% in 2008 to total \$7.9 billion. (Source: *The Bond Buyer*.)

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### **Noteworthy sectors and securities**

During the credit crisis in the municipal bond market, credit spreads widened considerably and the yield curve steepened dramatically. Therefore, higher-rated bonds outperformed lower-rated bonds and shorter-maturity bonds outperformed longer-maturity bonds. Pre-refunded bonds, or those that are escrowed in U.S. government securities, also performed well, as they are considered to be of the highest quality. Even though their ratings do not always reflect that quality, investors typically rely on the escrow in U.S. government securities in determining quality. Against this backdrop, a bond issued to fund the Denver Convention Center as well as education bonds issued to fund the University of Denver contributed to the Fund's return. These bonds mature in 2013 and 2016, respectively, and the Convention Center bond was pre-refunded.

Notable detractors included those issued to fund student housing and charter school projects (specifically a bond issued to fund housing at the University of Northern Colorado and a bond used to finance Bromley Charter School). These subsectors of the municipal market involve smaller, less liquid deals, and are considered riskier securities. They have not performed well during the credit crisis.

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

#### **Conditions in the Minnesota economy**

Minnesota's economy appears fundamentally sound; it features a diverse mix of manufacturing, services, and trade similar to that of the nation. Yet, weaker labor markets, a slump in home prices, and accelerating foreclosure rates all indicated that the state's economy may be underperforming its long-term potential. Over the past three years, for example, the state was behind the nation in employment and personal income growth (source: S&P). As of January 2009, Minnesota's unemployment rate was 8.7% and higher than the national level of 7.6% at that time (source: Bureau of Labor Statistics).

Minnesota's General Fund ended fiscal 2008 with a \$437 million decrease in funds from fiscal year 2007. The state partly attributed the drawdown to grants issued to businesses and residents of southeastern Minnesota for flooding damage as well as settlement payments to the victims of the Interstate Highway 35W bridge collapse. (Source: Minnesota Management and Budget.)

In addition, revenues have been weaker than forecast, with the net General Fund coming in \$131 million less than forecast from November to December 2008. This left a projected \$426 million deficit for the 2008 and 2009 fiscal years. To balance the budget, the state used the remaining funds from its budget reserve account, which brought the reserve balance to zero. Additionally, officials plan to reduce the budget through unexpended allotments from previous transfers and appropriations from the General Fund. These include a \$73 million reduction in human service payments, \$66 million in reduced local government aid to cities, \$44 million in cutbacks to county program aid, and \$40 million in reductions to each operations and higher education state agency. The state is now expected to end the 2008 and 2009 fiscal years with a remaining balance of \$236 million and a cash flow account of \$350 million. (Source: Minnesota Management and Budget.)

Nationally, new-issue volume for the calendar year 2008 fell more than 9% short of the 2007 record total. The combined par value totaled \$390.6 billion. Minnesota issuance increased 1.7% in 2008 to \$6.8 billion. (Source: *The Bond Buyer*.)

### **Noteworthy sectors and securities**

During the credit crisis in the municipal bond market, credit spreads widened considerably and the yield curve steepened dramatically. Therefore, higher-rated bonds outperformed lower-rated bonds, and shorter-maturity bonds outperformed longer-maturity bonds. Pre-refunded bonds, or those that are escrowed in U.S. government securities, also performed well, as they are considered to be of the highest quality. Even though ratings do not always reflect that quality, investors typically rely on the escrow in U.S. government securities in determining quality. Against this backdrop, two of the Fund's top contributors were pre-refunded. Both bonds, issued to finance University of Minnesota Hospital and Clinics and Park Nicollet Health Services, featured shorter maturities (2016 and 2014, respectively).

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## Portfolio management review

### **Delaware Investments Closed-End Municipal Bond Funds**

Alternatively, the Fund was hurt by a longer-term education bond to fund St. Catherine College due to mature in 2032, as well as an industrial development bond issued by Cloquet, Minn., for Potlatch Corporation due to mature in 2026. Industrial development bonds are issued by a government agency on behalf of a private entity to be used generally for the purchase or lease of land, buildings, machinery, or equipment.

### **Delaware Investments National Municipal Income Fund**

#### **Highlights of the national municipal debt markets**

The weak economy generated great fiscal stress among states. Combined budget gaps for the remainder of the current fiscal year and the next two years are estimated to total more than \$350 billion (source: Center for Budget and Policy Priorities). Since the recession began in December 2007, approximately 4.4 million jobs have been lost, with more than half of the decrease occurring during the four-month period ended February 2009. The unemployment rate increased significantly to 8.5%, as of March 2009 (sources: Nelson A. Rockefeller State Revenue Report #74 and the Bureau of Labor Statistics).

State tax revenues declined 3.6% during the fourth quarter of calendar 2008, with preliminary estimates for January showing continued deterioration. Total tax revenues declined during the fourth quarter in 35 of the 47 states that reported early figures. This is the weakest performance since the second quarter of 2002. Recent stock market declines and continued job losses could depress revenues further. (Source: Center for Budget and Policy Priorities.)



State spending levels were generally low even before the crisis. Aggregate spending fell sharply after the 2001 recession, and it remained below the 2001 level when states adopted their 2008 budgets. Despite the states' more prudent approach to spending, weak revenues have led to budget gaps. States have already used substantial budget reserves to address funding gaps, and these reserves are limited today. Most states have also cut services, raised taxes, closed loopholes, restricted tax credits, or implemented other revenue-raising measures. The American Recovery and Reinvestment Act of 2009 recognized the need for assistance through federal Medicaid funding and state fiscal stabilization fund revenues to help states close budget gaps. However, additional cuts or revenue-raising measures could be needed because federal monies cover only approximately 40% of the projected budget gaps over the next two years. (Source: Center on Budget and Policy Priorities.)

Nationally, new issuance in 2008 fell 9.1% short of the 2007 record total. The municipal market was hit especially hard by the broader credit crisis, with new issues plummeting over the last four months, including a more than 50% drop in October. New money issuance declined 22.8% while refunding increased 42.9%. We believe this is reflective of the need for issuers to restructure certain types of debt, such as auction-rate securities. (Source: *The Bond Buyer*.)

### **Noteworthy sectors and securities**

During the credit crisis in the municipal bond market, credit spreads widened considerably and the yield curve steepened dramatically. Therefore, higher-rated bonds outperformed lower-rated bonds, and shorter-maturity bonds outperformed longer-maturity bonds. Against this backdrop, both of the Fund's top contributors were highly rated and matured in 11 years or less. These included Virginia State General Obligation bonds, due in 2020 and rated AAA, as well as bonds issued by New York's Triborough Bridge and Tunnel Authority, due in 2015 and rated AA- (both ratings by S&P).

Notable detractors included an industrial development bond issued by Brazos, Texas, for Dow Chemical (due in 2038 and rated BBB by S&P) and a bond issued by a Marietta, Ga., Development Authority for Life University (due in 2033 and rated Baa2 by Moody's).

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## Fund basics

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

As of March 31, 2009

#### **Fund objective**

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

#### **Total Fund net assets**

\$38 million

#### **Number of holdings**

46

#### **Fund start date**

Feb. 26, 1993

#### **Cusip number**

246100101

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

As of March 31, 2009

**Fund objective**

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

**Total Fund net assets**

\$64 million

**Number of holdings**

41

**Fund start date**

July 29, 1993

**Cusip number**

246101109

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

As of March 31, 2009

**Fund objective**

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

**Total Fund net assets**

\$151 million

**Number of holdings**

92

**Fund start date**

Feb. 26, 1993

**Cusip number**

24610V103

**Delaware Investments  
National Municipal Income Fund**

As of March 31, 2009

**Fund objective**

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

**Total Fund net assets**

\$29 million

**Number of holdings**

48

**Fund start date**

Feb. 26, 1993

**Cusip number**

24610T108

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## Sector/State allocations and credit quality breakdowns

As of March 31, 2009

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>92.66%</b>               |
| Education Revenue Bonds                                | 13.87%                      |
| Electric Revenue Bonds                                 | 7.41%                       |
| Health Care Revenue Bonds                              | 17.25%                      |
| Housing Revenue Bonds                                  | 2.59%                       |
| Lease Revenue Bonds                                    | 2.61%                       |
| Local General Obligation Bonds                         | 5.67%                       |
| Pre-Refunded Bonds                                     | 16.59%                      |
| Special Tax Revenue Bonds                              | 14.34%                      |
| Transportation Revenue Bonds                           | 5.43%                       |
| Water & Sewer Revenue Bonds                            | 6.90%                       |
| <b>Short-Term Investment</b>                           | <b>1.06%</b>                |
| <b>Total Value of Securities</b>                       | <b>93.72%</b>               |
| <b>Receivables and Other Assets Net of Liabilities</b> | <b>6.28%</b>                |
| <b>Total Net Assets</b>                                | <b>100.00%</b>              |

**Credit Quality Breakdown  
(as a % of fixed income investments)\***

|              |                |
|--------------|----------------|
| AAA          | 19.06%         |
| AA           | 41.95%         |
| A            | 14.60%         |
| BBB          | 24.39%         |
| <b>Total</b> | <b>100.00%</b> |

\*Bond ratings are determined by independent, nationally recognized statistical rating organizations.

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

| Sector                 | Percentage<br>of Net Assets |
|------------------------|-----------------------------|
| <b>Municipal Bonds</b> | <b>97.92%</b>               |

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|  |                |
|--|----------------|
| Education Revenue Bonds                                | 18.33%         |
| Electric Revenue Bond                                  | 2.38%          |
| Health Care Revenue Bonds                              | 6.53%          |
| Housing Revenue Bonds                                  | 2.86%          |
| Lease Revenue Bonds                                    | 5.71%          |
| Local General Obligation Bonds                         | 8.81%          |
| Pre-Refunded Bonds                                     | 32.97%         |
| Special Tax Revenue Bonds                              | 7.58%          |
| State General Obligation Bond                          | 3.37%          |
| Water & Sewer Revenue Bonds                            | 9.38%          |
| <b>Short-Term Investment</b>                           | <b>0.78%</b>   |
| <b>Total Value of Securities</b>                       | <b>98.70%</b>  |
| <b>Receivables and Other Assets Net of Liabilities</b> | <b>1.30%</b>   |
| <b>Total Net Assets</b>                                | <b>100.00%</b> |

|   |                |
|---|----------------|
| Credit Quality Breakdown<br>(as a % of fixed income investments)* |                |
| AAA   | 32.23%         |
| AA  | 43.36%         |
| A   | 16.23%         |
| BBB   | 2.28%          |
| Not Rated   | 5.90%          |
| <b>Total</b>  | <b>100.00%</b> |

\*Bond ratings are determined by independent, nationally recognized statistical rating organizations.

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

**Delaware Investments**

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

| Sector   | Percentage<br>of Net Assets |
|--|-----------------------------|
| <b>Municipal Bonds</b>                                 | <b>97.42%</b>               |
| Corporate-Backed Revenue Bonds                         | 5.17%                       |
| Education Revenue Bonds                                | 4.51%                       |
| Electric Revenue Bonds                                 | 15.97%                      |
| Escrowed to Maturity Bonds                             | 17.55%                      |
| Health Care Revenue Bonds                              | 10.60%                      |
| Housing Revenue Bonds                                  | 8.51%                       |
| Lease Revenue Bonds                                    | 6.45%                       |
| Local General Obligation Bonds                         | 8.42%                       |
| Pre-Refunded Bonds                                     | 7.56%                       |
| Special Tax Revenue Bonds                              | 1.54%                       |
| State General Obligation Bonds                         | 3.13%                       |
| Transportation Revenue Bonds                           | 8.01%                       |
| <b>Short-Term Investments</b>                          | <b>1.19%</b>                |
| <b>Total Value of Securities</b>                       | <b>98.61%</b>               |
| <b>Receivables and Other Assets Net of Liabilities</b> | <b>1.39%</b>                |
| <b>Total Net Assets</b>                                | <b>100.00%</b>              |

|   |        |
|---|--------|
| Credit Quality Breakdown<br>(as a % of fixed income investments)* |        |
| AAA   | 28.52% |
| AA  | 31.21% |

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|              |                |
|--------------|----------------|
| A            | 20.11%         |
| BBB          | 14.55%         |
| BB           | 2.51%          |
| B            | 0.52%          |
| Not Rated    | 2.58%          |
| <b>Total</b> | <b>100.00%</b> |

\*Bond ratings are determined by independent, nationally recognized statistical rating organizations.

**Delaware Investments  
National Municipal Income Fund**

| Sector   | Percentage<br>of Net Assets |
|--|-----------------------------|
| <b>Municipal Bonds</b>                                 | <b>98.11%</b>               |
| Corporate-Backed Revenue Bonds                         | 3.76%                       |
| Education Revenue Bonds                                | 3.84%                       |
| Electric Revenue Bonds                                 | 3.60%                       |
| Health Care Revenue Bonds                              | 17.43%                      |
| Housing Revenue Bonds                                  | 15.43%                      |
| Lease Revenue Bonds                                    | 6.10%                       |
| Local General Obligation Bonds                         | 4.72%                       |
| Special Tax Revenue Bonds                              | 17.95%                      |
| State General Obligation Bonds                         | 8.02%                       |
| Transportation Revenue Bonds                           | 9.24%                       |
| Water & Sewer Revenue Bonds                            | 8.02%                       |
| <b>Short Term Investments</b>                          | <b>1.38%</b>                |
| <b>Total Value of Securities</b>                       | <b>99.49%</b>               |
| <b>Receivables and Other Assets Net of Liabilities</b> | <b>0.51%</b>                |
| <b>Total Net Assets</b>                                | <b>100.00%</b>              |

| State<br>(as a % of fixed income investments) |                |
|---|----------------|
| Arizona                                       | 2.20%          |
| California                                    | 7.30%          |
| Florida                                       | 64.86%         |
| Georgia                                       | 0.60%          |
| Iowa  | 1.76%          |
| Idaho   | 0.88%          |
| Massachusetts                                 | 1.67%          |
| Maryland                                      | 1.42%          |
| New York                                      | 9.17%          |
| Pennsylvania                                  | 0.16%          |
| Puerto Rico                                   | 5.07%          |
| Texas   | 2.19%          |
| Virginia                                      | 2.72%          |
| <b>Total</b>                                  | <b>100.00%</b> |

(continues) 9

# Sector/State allocations and credit quality breakdowns

## Delaware Investments

### National Municipal Income Fund (continued)

#### Credit Quality Breakdown

(as a % of fixed income investments)\*

|              |                |
|--------------|----------------|
| AAA          | 18.90%         |
| AA           | 53.78%         |
| A            | 18.15%         |
| BBB          | 5.27%          |
| BB           | 0.60%          |
| Not Rated    | 3.30%          |
| <b>Total</b> | <b>100.00%</b> |

\*Bond ratings are determined by independent, nationally recognized statistical rating organizations.

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## Statements of net assets

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

March 31, 2009

|   | Principal Amount | Value      |
|---|------------------|------------|
| <b>Municipal Bonds</b> □ <b>92.66%</b>  |                  |            |
| Education Revenue Bonds □ 13.87%  |                  |            |
| Arizona Board of Regents System<br>Revenue (Arizona State University)<br>Series 8-A<br>5.00% 6/1/18                                       | \$ 200,000       | \$ 223,160 |
| 5.00% 6/1/19  | 375,000          | 412,373    |
| Arizona Student Loan Acquisition<br>Authority Revenue Refunding<br>Series A-1 5.90% 5/1/24 (AMT)  | 1,500,000        | 1,457,654  |
| Glendale Industrial Development<br>Authority Revenue Refunding<br>(Midwestern University)<br>5.00% 5/15/31                                | 350,000          | 295,880    |
| Northern Arizona University<br>Certificates of Participation<br>(Northern Arizona University<br>Research Project)<br>5.00% 9/1/30 (AMBAC) | 1,000,000        | 909,400    |
| Pima County Industrial Development  |                  |            |

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|   |           |           |
|---|-----------|-----------|
| Authority Educational Revenue Refunding (Tucson Country Day School Project) 5.00% 6/1/37                                    | 500,000   | 298,175   |
| South Campus Group Student Housing Revenue (Arizona State University - South Campus Project) 5.625% 9/1/35 (MBIA)           | 1,000,000 | 958,210   |
| University of Puerto Rico System Revenue Series Q 5.00% 6/1/36  | 1,000,000 | 707,250   |
| <b>Electric Revenue Bonds □ 7.41%</b>   |           | 5,262,102 |
| Salt River Project Agricultural Improvement & Power District Electric System Revenue Series A 5.00% 1/1/16                  | 500,000   | 560,670   |
| 5.00% 1/1/31  | 1,000,000 | 983,000   |
| Series B 5.00% 1/1/25   | 1,250,000 | 1,269,538 |
|   |           | 2,813,208 |
| <b>Health Care Revenue Bonds □ 17.25%</b>   |           |           |
| Arizona Health Facilities Authority Revenue (Banner Health) Series D 5.50% 1/1/21   | 500,000   | 498,885   |
| Glendale Industrial Development Authority Hospital Refunding Revenue (John C. Lincoln Health) 5.00% 12/1/42                 | 1,500,000 | 1,002,975 |
| Maricopa County Industrial Development Authority Health Facilities Revenue (Catholic Healthcare West) Series A 5.25% 7/1/32 | 400,000   | 328,240   |
| Scottsdale Industrial Development Authority Hospital Revenue Refunding (Scottsdale Healthcare) Series A 5.25% 9/1/30        | 500,000   | 417,400   |
| Show Low Industrial Development Authority Hospital Revenue (Navapache Regional Medical Center) Series A 5.50% 12/1/17 (ACA) | 1,600,000 | 1,518,944 |
| University Medical Center Hospital Revenue 5.00% 7/1/33   | 1,000,000 | 740,640   |
| 5.00% 7/1/35  | 500,000   | 368,010   |
| Yavapai County Industrial Development Authority Revenue (Yavapai Regional Medical Center) Series A 5.25% 8/1/21 (RADIANT)   | 2,000,000 | 1,670,819 |
| <b>Housing Revenue Bonds □ 2.59%</b>  |           | 6,545,913 |

|   |           |           |
|---|-----------|-----------|
| Phoenix Industrial Development<br>Authority Single Family Mortgage<br>Statewide Revenue<br>Series A 5.35% 6/1/20 (GNMA)<br>(FNMA) (FHLMC) (AMT)       | 380,000   | 380,209   |
| Series C 5.30% 4/1/20 (GNMA)<br>(FNMA) (FHLMC) (AMT)  | 370,000   | 375,043   |
| Pima County Industrial Development<br>Authority Single Family Mortgage<br>Housing Revenue Series A-1<br>6.125% 11/1/33 (GNMA) (FNMA)<br>(FHLMC) (AMT) | 40,000    | 40,029    |
| Puerto Rico Housing Finance<br>Authority Sub-Cap Foundation<br>Modernization 5.50% 12/1/18  | 175,000   | 187,422   |
|   |           | 982,703   |
| Lease Revenue Bonds □ 2.61%   |           |           |
| Arizona Game & Fishing Department &<br>Commission Beneficial Interest<br>Certificates (AGF Administration<br>Building Project) 5.00% 7/1/26           | 640,000   | 602,547   |
| Nogales Development Authority<br>Municipal Facilities Revenue<br>5.00% 6/1/30 (AMBAC)   | 500,000   | 388,105   |
|   |           | 990,652   |
| Local General Obligation Bonds □ 5.67%  |           |           |
| Gila County Unified School District #10<br>(Payson School Improvement<br>Project of 2006) Series A<br>1.00% 7/1/27 (AMBAC)                            | 500,000   | 466,740   |
| Maricopa County School District #6<br>(Washington Elementary)<br>Refunding Series A<br>5.375% 7/1/13 (FSA)  | 1,500,000 | 1,685,040 |
|   |           | 2,151,780 |
| §Pre-Refunded Bonds □ 16.59%  |           |           |
| Arizona School Facilities Board<br>Revenue (State School Trust)<br>Series A 5.75% 7/1/18-14 (AMBAC)   | 500,000   | 592,575   |

(continues) 11

## Statements of net assets

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

|  | Principal<br>Amount | Value |
|--|---------------------|-------|
| <b>Municipal Bonds</b> (continued)       |                     |       |
| §Pre-Refunded Bonds (continued)          |                     |       |
| Oro Valley Municipal Property Excise Tax |                     |       |



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|  |    |           |    |                   |
|--|----|-----------|----|-------------------|
| 5.00% 7/1/20-11 (FGIC)   | \$ | 1,000,000 | \$ | 1,099,130         |
| Puerto Rico Commonwealth Public Improvement Revenue Series A   |    |           |    |                   |
| 5.125% 7/1/31-11   |    | 250,000   |    | 273,443           |
| Scottsdale Industrial Development Authority Hospital Revenue (Scottsdale Healthcare)   |    |           |    |                   |
| 5.80% 12/1/31-11   |    | 1,000,000 |    | 1,122,170         |
| Southern Arizona Capital Facilities Finance (University of Arizona Project) 5.00% 9/1/23-12 (MBIA)                               |    |           |    |                   |
|  |    | 1,150,000 |    | 1,293,992         |
| University of Arizona Certificates of Participation (University of Arizona Project) Series B                                     |    |           |    |                   |
| 5.125% 6/1/22-12 (AMBAC)   |    | 500,000   |    | 559,715           |
| Virgin Islands Public Finance Authority Revenue (Gross Receipts Tax Loan Note) Series A  |    |           |    |                   |
| 6.125% 10/1/29-10 (ACA)  |    | 1,250,000 |    | 1,356,174         |
|  |    |           |    | 6,297,199         |
| <b>Special Tax Revenue Bonds</b> □ 14.34%  |    |           |    |                   |
| Flagstaff Aspen Place Sawmill Improvement District 5.00% 1/1/32  |    |           |    |                   |
|  |    | 385,000   |    | 351,763           |
| Gilbert Public Facilities Municipal Property 5.00% 7/1/25  |    |           |    |                   |
|  |    | 500,000   |    | 493,395           |
| Glendale Municipal Property Series A 5.00% 7/1/33 (AMBAC)  |    |           |    |                   |
|  |    | 2,000,000 |    | 1,972,200         |
| Marana Tangerine Farm Road Improvement District Revenue 4.60% 1/1/26   |    |           |    |                   |
|  |    | 963,000   |    | 677,480           |
| Peoria Municipal Development Authority Sales Tax & Excise Shared Revenue (Senior Lien & Sub Lien) 5.00% 1/1/18                   |    |           |    |                   |
|  |    | 1,085,000 |    | 1,209,298         |
| Queen Creek Improvement District #1 5.00% 1/1/32   |    |           |    |                   |
|  |    | 1,000,000 |    | 736,780           |
|  |    |           |    | 5,440,916         |
| <b>Transportation Revenue Bonds</b> □ 5.43%  |    |           |    |                   |
| Arizona Transportation Board Grant Anticipation Notes Series A 5.00% 7/1/14  |    |           |    |                   |
|  |    | 250,000   |    | 280,955           |
| Phoenix Civic Improvement Airport Revenue Series B 5.25% 7/1/27 (FGIC) (AMT)   |    |           |    |                   |
|  |    | 2,000,000 |    | 1,777,900         |
|  |    |           |    | 2,058,855         |
| <b>Water &amp; Sewer Revenue Bonds</b> □ 6.90%   |    |           |    |                   |
| Phoenix Civic Improvement Wastewater Systems Revenue Junior Lien 5.00% 7/1/19 (MBIA) Refunding 5.00% 7/1/24 (FGIC)               |    |           |    |                   |
|  |    | 850,000   |    | 915,680           |
|  |    | 1,000,000 |    | 1,006,470         |
| Scottsdale Water & Sewer Revenue Refunding 5.00% 7/1/19  |    |           |    |                   |
|  |    | 600,000   |    | 695,136           |
|  |    |           |    | 2,617,286         |
| <b>Total Municipal Bonds</b>   |    |           |    | <b>35,160,614</b> |
| (cost \$37,663,707)  |    |           |    |                   |
| <b>•Short-Term Investment</b> □ 1.06%  |    |           |    |                   |
| Variable Rate Demand Note □ 1.06%  |    |           |    |                   |
| Arizona Health Facilities Authority Revenue (Catholic West Health Facilities) Series B 0.43% 7/1/35 (LOC □ Bank of America N.A.) |    |           |    |                   |
|  |    | 400,000   |    | 400,000           |
| <b>Total Short-Term Investment</b>   |    |           |    |                   |

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(cost \$400,000)

400,000

|   |                      |
|---|----------------------|
| <b>Total Value of Securities</b> □ 93.72% |                      |
| (cost \$38,063,707)                       | <b>35,560,614</b>    |
| <b>Receivables and Other Assets</b>       |                      |
| <b>Net of Liabilities</b> □ 6.28%         | <b>2,383,566</b>     |
| <b>Net Assets Applicable to 2,982,200</b> |                      |
| <b>Shares Outstanding; Equivalent to</b>  |                      |
| <b>\$12.72 Per Share</b> □ 100.00%        | <b>\$ 37,944,180</b> |

**Components of Net Assets at March 31, 2009:**

|   |                      |
|---|----------------------|
| Common stock, \$0.01 par value, 200 million shares authorized to the Fund | \$ 40,651,205        |
| Accumulated net realized loss on investments                              | (203,932)            |
| Net unrealized depreciation of investments                                | (2,503,093)          |
| <b>Total net assets</b>   | <b>\$ 37,944,180</b> |

Step coupon bond. Coupon increases periodically based on a predetermined schedule. Stated rate in effect at March 31, 2009.

§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, 2009.

**Summary of Abbreviations:**

- ACA □ Insured by the 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 □ Federal Home Loan Mortgage Corporation Collateral
- FNMA □ Federal National Mortgage Association Collateral
- FSA □ Insured by Financial Security Assurance
- GNMA □ Government National Mortgage Association Collateral
- LOC □ Letter of Credit
- MBIA □ Insured by the Municipal Bond Insurance Association
- RADIAN □ Insured by Radian Asset Assurance

See accompanying notes

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

March 31, 2009

|  | Principal<br>Amount | Value        |
|--|---------------------|--------------|
| <b>Municipal Bonds</b> □ 97.92%  |                     |              |
| <b>Education Revenue Bonds</b> □ 18.33%  |                     |              |
| Boulder County Development Revenue Refunding (University Corporation for Atmospheric Research) 5.00% 9/1/26 (MBIA) | \$ 3,000,000        | \$ 2,992,950 |
| Colorado Board of Governors Revenue (University Enterprise System) Series A 5.00% 3/1/39                           | 700,000             | 690,347      |
| Colorado Educational & Cultural Facilities Authority Revenue (Bromley Charter School Project)                      |                     |              |

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|   |   |           |            |
|---|---|-----------|------------|
|   | Refunding 5.25% 9/15/32 (XLCA)<br>(Johnson & Wales University Project)  | 1,000,000 | 832,760    |
|   | Series A 5.00% 4/1/28 (XLCA)<br>(Littleton Charter School Project)  | 3,000,000 | 2,487,330  |
|   | Refunding 4.375% 1/15/36 (CIFG)<br>Student Housing (Campus Village<br>Apartments) Refunding                   | 1,200,000 | 946,956    |
|   | 5.00% 6/1/23  | 1,065,000 | 981,046    |
|   | Student Housing (University of<br>Northern Colorado) Series A   |           |            |
|   | 5.00% 7/1/31 (MBIA)   | 2,500,000 | 2,029,100  |
|   | University of Colorado Enterprise<br>Systems Revenue Series A   |           |            |
|   | 5.375% 6/1/38   | 750,000   | 764,955    |
|   |   |           | 11,725,444 |
| <b>Electric Revenue Bond ☐ 2.38%</b>          |   |           |            |
|   | Platte River Power Authority Power<br>Revenue Series HH 5.00% 6/1/28  | 1,500,000 | 1,522,605  |
|   |   |           | 1,522,605  |
| <b>Health Care Revenue Bonds ☐ 6.53%</b>      |   |           |            |
|   | Colorado Health Facilities<br>Authority Revenue<br>(Catholic Health Initiatives)                              |           |            |
|   | Series D 6.125% 10/1/28   | 750,000   | 777,308    |
|   | (Evangelical Lutheran)  |           |            |
|   | 5.25% 6/1/23  | 1,000,000 | 871,470    |
|   | (Porter Place) Series A   |           |            |
|   | 6.00% 1/20/36 (GNMA)  | 2,515,000 | 2,524,355  |
|   |   |           | 4,173,133  |
| <b>Housing Revenue Bonds ☐ 2.86%</b>          |   |           |            |
|   | Colorado Housing & Finance<br>Authority (Single Family<br>Mortgage ☐ Class I) Series A                        |           |            |
|   | 5.50% 11/1/29 (FHA)   | 500,000   | 505,760    |
|   | Puerto Rico Housing Finance<br>Authority Sub-Cap<br>Foundation Modernization                                  |           |            |
|   | 5.125% 12/1/27  | 1,000,000 | 1,003,330  |
|   | 5.50% 12/1/18   | 300,000   | 321,294    |
|   |   |           | 1,830,384  |
| <b>Lease Revenue Bonds ☐ 5.71%</b>            |   |           |            |
|   | Glendale Certificates Participation   |           |            |
|   | 5.00% 12/1/25 (XLCA)  | 1,500,000 | 1,401,645  |
|   | •Puerto Rico Public Buildings Authority<br>Revenue Guaranteed Refunding<br>(Government Facilities) Series M-2 |           |            |
|   | 5.50% 7/1/35 (AMBAC)  | 700,000   | 638,225    |
|   | Westminster Building Authority<br>Certificates of Participation   |           |            |
|   | 5.25% 12/1/22 (MBIA)  | 1,555,000 | 1,608,787  |
|   |   |           | 3,648,657  |
| <b>Local General Obligation Bonds ☐ 8.81%</b> |   |           |            |
|   | Adams & Arapahoe Counties Joint   |           |            |

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|   |                                     |                                     |
|---|-------------------------------------|-------------------------------------|
| School District #28J (Aurora)<br>6.00% 12/1/28  | 600,000                             | 654,636                             |
| Arapahoe County Water &<br>Wastewater Public Improvement<br>District Refunding Series A<br>5.125% 12/1/32 (MBIA)  | 635,000                             | 596,456                             |
| Boulder Larimer & Weld Counties<br>Vrain Valley School District Re-1J<br>5.00% 12/15/33   | 750,000                             | 751,658                             |
| Bowles Metropolitan District<br>Refunding 5.00% 12/1/33 (FSA)   | 2,000,000                           | 1,971,959                           |
| Denver City & County School District #1<br>Series A 5.00% 12/1/29   | 240,000                             | 240,552                             |
| Green Valley Ranch Metropolitan<br>District Refunding<br>5.75% 12/1/19 (AMBAC)  | 1,000,000                           | 1,025,130                           |
| Sand Creek Metropolitan District<br>Refunding & Improvement<br>5.00% 12/1/31 (XLCA)   | 500,000                             | 396,185                             |
|   |                                     | 5,636,576                           |
| <b>\$Pre-Refunded Bonds</b> □ 32.97%  |                                     |                                     |
| Colorado Educational & Cultural<br>Facilities Authority<br>(University of Colorado<br>Foundation Project)<br>5.00% 7/1/27-12 (AMBAC)<br>(University of Denver Project)<br>Refunding & Improvement<br>5.50% 3/1/21-11 (AMBAC)<br>Series B 5.25% 3/1/35-16 (FGIC) | 4,000,000<br>2,200,000<br>1,000,000 | 4,468,720<br>2,389,310<br>1,176,090 |
| Denver Convention Center Hotel<br>Authority Revenue Series A<br>5.00% 12/1/33-13 (XLCA)   | 3,000,000                           | 3,382,170                           |
| E-470 Public Highway Authority<br>Revenue Series A<br>5.75% 9/1/29-10 (MBIA)<br>5.75% 9/1/35-10 (MBIA)  | 3,000,000<br>1,700,000              | 3,258,510<br>1,846,489              |
| Northwest Parkway Public Highway<br>Authority Series A<br>5.25% 6/15/41-11 (FSA)  | 4,150,000                           | 4,565,623                           |
|   |                                     | 21,086,912                          |

(continues) 13

## Statements of net assets

Delaware Investments Colorado Municipal Income Fund, Inc.

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

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Special Tax Revenue Bonds □ 7.58%

|   |              |              |
|---|--------------|--------------|
| Denver Convention Center Hotel Authority Revenue Refunding 5.00% 12/1/35 (XLCA)                                 | \$ 1,575,000 | \$ 1,024,412 |
| Regional Transportation District Colorado Sales Tax Revenue (Fastracks Project) Series A 4.375% 11/1/31 (AMBAC) | 1,250,000    | 1,119,962    |
| 4.50% 11/1/36 (FSA)   | 3,000,000    | 2,702,160    |
|   |              | 4,846,534    |

State General Obligation Bond □ 3.37%

|  |           |           |
|--|-----------|-----------|
| Puerto Rico Commonwealth Refunding (Public Improvement) Series A 5.50% 7/1/19 (MBIA) | 2,250,000 | 2,152,125 |
|  |           | 2,152,125 |

Water & Sewer Revenue Bonds □ 9.38%

|   |           |           |
|---|-----------|-----------|
| Colorado Water Resources & Power Development Authority Small Water Revenue Un-Refunded Balance Series A 5.80% 11/1/20 (FGIC)                      | 780,000   | 769,813   |
| Colorado Water Resources & Power Development Authority Water Resources Revenue (Parker Water & Sanitation District) Series D 5.125% 9/1/34 (MBIA) | 1,500,000 | 1,298,370 |
| 5.25% 9/1/43 (MBIA)   | 2,000,000 | 1,718,860 |
| Ute Water Conservancy District Revenue 5.75% 6/15/20 (MBIA)   | 2,155,000 | 2,209,220 |
|   |           | 5,996,263 |

**Total Municipal Bonds**

(cost \$63,912,085)

**62,618,633**

•**Short-Term Investment** □ 0.78%

Variable Rate Demand Note □ 0.78%

|   |         |         |
|---|---------|---------|
| Colorado Educational & Cultural Facilities Authority Revenue (National Jewish Foundation Bond) Series A-5 0.50% 4/1/34 (LOC □ Bank of America N.A.) | 500,000 | 500,000 |
|---|---------|---------|

**Total Short-Term Investment**

(cost \$500,000)

**500,000**

**Total Value of Securities** □ 98.70%

(cost \$64,412,085)

**63,118,633**

**Receivables and Other Assets**

**Net of Liabilities** □ 1.30%

**833,853**

**Net Assets Applicable to** 4,837,100

**Shares Outstanding; Equivalent to**

**\$13.22 Per Share** □ 100.00%

**\$ 63,952,486**

**Components of Net Assets at March 31, 2009:**

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

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|  |           |                   |
|--|-----------|-------------------|
| authorized to the Fund                       | \$        | 66,918,121        |
| Accumulated net realized loss on investments |           | (1,672,183)       |
| Net unrealized depreciation of investments   |           | (1,293,452)       |
| <b>Total net assets</b>                      | <b>\$</b> | <b>63,952,486</b> |

§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, 2009.

**Summary of Abbreviations:**

AMBAC □ Insured by the AMBAC Assurance Corporation  
 CIFG □ CDC IXIS Financial Guaranty  
 FGIC □ Insured by the Financial Guaranty Insurance Company  
 FHA □ Federal Housing Administration  
 FSA □ Insured by Financial Security Assurance  
 GNMA □ Government National Mortgage Association Collateral  
 LOC □ Letter of Credit  
 MBIA □ Insured by the Municipal Bond Insurance Association  
 XLCA □ Insured by XL Capital Assurance

See accompanying notes

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

March 31, 2009

|   | Principal<br>Amount | Value        |
|---|---------------------|--------------|
| <b>Municipal Bonds □ 97.42%</b>   |                     |              |
| <b>Corporate-Backed Revenue Bonds □ 5.17%</b>   |                     |              |
| Cloquet Pollution Control Revenue<br>Refunding (Potlatch Project)<br>5.90% 10/1/26                                      | \$ 5,500,000        | \$ 3,628,899 |
| Laurentian Energy Authority I<br>Cogeneration Revenue Series A<br>5.00% 12/1/21   | 3,325,000           | 2,681,746    |
| Minneapolis Community<br>Development Agency Supported<br>(Limited Tax Common Bond Fund)<br>Series A 6.75% 12/1/25 (AMT) | 865,000             | 869,550      |
| Sartell Environmental Improvement<br>Revenue Refunding<br>(International Paper) Series A<br>5.20% 6/1/27                | 1,000,000           | 631,260      |
|   |                     | 7,811,455    |
| <b>Education Revenue Bonds □ 4.51%</b>  |                     |              |
| Minnesota Higher Education<br>Facilities Authority Revenue<br>(Augsburg College) Series 6-J1<br>5.00% 5/1/28            | 1,500,000           | 1,278,495    |
| (Carleton College) Series 6-T<br>5.00% 1/1/28   | 1,000,000           | 1,009,810    |
| (College of St. Benedict) Series 5-W  |                     |              |

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|   |            |            |
|---|------------|------------|
| 5.00% 3/1/20<br>(St. Mary's University) Series 5-U  | 2,000,000  | 1,877,220  |
| 4.80% 10/1/23   | 1,400,000  | 1,220,982  |
| University of Minnesota Series A  |            |            |
| 5.25% 4/1/29  | 1,000,000  | 1,045,110  |
| University of the Virgin Islands<br>Improvement Series A  |            |            |
| 5.375% 6/1/34   | 500,000    | 389,560    |
|   |            | 6,821,177  |
| <b>Electric Revenue Bonds □ 15.97%</b>  |            |            |
| Chaska Electric Revenue Refunding<br>(Generating Facilities) Series A   |            |            |
| 5.25% 10/1/25   | 250,000    | 250,410    |
| Minnesota Municipal Power Agency<br>Electric Revenue Series A   |            |            |
| 5.00% 10/1/34   | 1,900,000  | 1,813,132  |
| 5.25% 10/1/19   | 1,610,000  | 1,663,275  |
| Northern Municipal Power Agency<br>Electric Revenue Series A  |            |            |
| 5.00% 1/1/14 (ASSURED GTY)  | 1,000,000  | 1,068,680  |
| 5.00% 1/1/16 (ASSURED GTY)  | 1,500,000  | 1,598,835  |
| Southern Minnesota Municipal Power<br>Agency Power Supply System<br>Series A 5.25% 1/1/14 (AMBAC)                                 | 12,000,000 | 12,943,680 |
| Western Minnesota Municipal Power<br>Agency Power Supply Revenue<br>Series A 5.00% 1/1/30 (MBIA)                                  | 5,000,000  | 4,800,000  |
|   |            | 24,138,012 |
| <b>Escrowed to Maturity Bonds □ 17.55%</b>  |            |            |
| Dakota-Washington Counties<br>Housing & Redevelopment<br>Authority Revenue<br>(Bloomington Single Family<br>Residential Mortgage) |            |            |
| 8.375% 9/1/21 (GNMA)<br>(FHA) (VA) (AMT)  | 7,055,000  | 9,887,793  |
| Southern Minnesota Municipal<br>Power Agency Power Supply<br>System Revenue Refunding<br>Series B 5.50% 1/1/15 (AMBAC)            | 390,000    | 413,225    |
| St. Paul Housing & Redevelopment<br>Authority Sales Tax<br>(Civic Center Project)   |            |            |
| 5.55% 11/1/23   | 2,300,000  | 2,394,645  |
| 5.55% 11/1/23 (MBIA)  | 4,200,000  | 4,372,830  |
| University of Minnesota Hospital &<br>Clinics 6.75% 12/1/16   | 2,580,000  | 3,201,341  |
| University of Minnesota Series A<br>5.50% 7/1/21  | 4,000,000  | 4,473,360  |
| Western Minnesota Municipal Power<br>Agency Power Supply Revenue<br>Series A 6.625% 1/1/16  | 1,535,000  | 1,792,420  |
|   |            | 26,535,614 |
| <b>Health Care Revenue Bonds □ 10.60%</b>   |            |            |

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|  |           |           |
|--|-----------|-----------|
| Bemidji Health Care Facilities First<br>Mortgage Revenue (North<br>Country Health Services)<br>5.00% 9/1/24 (RADIAN)                                     | 1,500,000 | 1,358,820 |
| Glencoe Health Care Facilities<br>Revenue (Glencoe Regional<br>Health Services Project)<br>5.00% 4/1/25  | 2,000,000 | 1,570,740 |
| Maple Grove Health Care Facilities<br>Revenue (Maple Grove Hospital)<br>5.25% 5/1/37   | 1,000,000 | 884,550   |
| Minneapolis Health Care<br>System Revenue (Fairview<br>Health Services)<br>Series A 6.625% 11/15/28  | 600,000   | 621,072   |
| Series B 6.50% 11/15/38<br>(ASSURED GTY)   | 295,000   | 314,972   |
| Series D 5.00% 11/15/34<br>(AMBAC)   | 2,000,000 | 1,676,920 |
| Minnesota Agricultural & Economic<br>Development Board Revenue<br>Un-Refunded Balance (Fairview<br>Health Care System) Series A<br>5.75% 11/15/26 (MBIA) | 100,000   | 90,060    |
| 6.375% 11/15/29  | 195,000   | 194,760   |
| Shakopee Health Care Facilities<br>Revenue (St. Francis Regional<br>Medical Center) 5.25% 9/1/34   | 1,560,000 | 1,244,755 |

(continues) 15

## Statements of net assets

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

|  | Principal<br>Amount | Value      |
|--|---------------------|------------|
| <b>Municipal Bonds</b> (continued)   |                     |            |
| Health Care Revenue Bonds (continued)  |                     |            |
| St. Louis Park Health Care<br>Facilities Revenue Refunding<br>(Park Nicollet Health Services)<br>Series C 5.50% 7/1/23   | \$ 1,000,000        | \$ 996,490 |
| St. Paul Housing & Redevelopment<br>Authority Health Care Facilities<br>Revenue<br>(Allina Health System)<br>Series A 5.00% 11/15/18 (MBIA)<br>(Health Partners Obligation<br>Group Project) 5.25% 5/15/36<br>(Regions Hospital Project) | 1,380,000           | 1,384,720  |
|  | 2,000,000           | 1,513,780  |



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|                       |  |           |            |
|-----------------------|--|-----------|------------|
|                       | 5.30% 5/15/28  | 1,000,000 | 815,060    |
|                       | St. Paul Housing & Redevelopment Authority Revenue (Franciscan Elderly Health Project)                           |           |            |
|                       | 5.40% 11/20/42 (GNMA) (FHA)  | 2,700,000 | 2,507,057  |
|                       | Winona Health Care Facilities Revenue Refunding (Winona Health Obligation Group)                                 |           |            |
|                       | 5.00% 7/1/23   | 1,010,000 | 846,047    |
|                       |  |           | 16,019,803 |
| Housing Revenue Bonds | 8.51%  |           |            |
|                       | Chanhassen Multifamily Housing Revenue Refunding (Heritage Park Apartments Project)                              |           |            |
|                       | 6.20% 7/1/30 (FHA) (AMT) (HUD Section 8)   | 1,105,000 | 1,105,199  |
|                       | Dakota County Housing & Redevelopment Authority Single Family Mortgage Revenue 5.85% 10/1/30 (GNMA) (FNMA) (AMT) | 11,000    | 11,006     |
|                       | @Harmony Multifamily Housing Revenue Refunding (Zedakah Foundation Project) Series A                             |           |            |
|                       | 5.95% 9/1/20 (HUD Section 8)   | 1,000,000 | 774,930    |
|                       | Minneapolis Multifamily Housing Revenue  |           |            |
|                       | •(Gaar Scott Loft Project)   |           |            |
|                       | 5.95% 5/1/30 (AMT) (LOC - U.S. Bank N.A.) (Olson Townhomes Project)  | 920,000   | 936,818    |
|                       | 6.00% 12/1/19 (AMT) (Seward Towers Project)  | 800,000   | 800,608    |
|                       | Series A 5.00% 5/20/36 (GNMA) (Sumner Housing Project)   | 2,000,000 | 1,849,160  |
|                       | Series A 5.15% 2/20/45 (GNMA) (AMT)  | 2,000,000 | 1,779,880  |
|                       | Minnesota Housing Finance Agency Revenue (Rental Housing)  |           |            |
|                       | Series A 5.00% 2/1/35 (AMT)  | 1,000,000 | 880,140    |
|                       | Series D 5.95% 2/1/18 (MBIA)   | 130,000   | 130,478    |
|                       | Minnesota Housing Finance Agency Revenue (Residential Housing)   |           |            |
|                       | Series B-1 5.35% 1/1/33 (AMT)  | 1,675,000 | 1,557,934  |
|                       | •Series D 4.75% 7/1/32 (AMT)   | 1,000,000 | 896,740    |
|                       | Series I 5.15% 7/1/38 (AMT) (Single Family Mortgage)   | 745,000   | 669,420    |
|                       | Series J 5.90% 7/1/28 (AMT)  | 770,000   | 770,978    |
|                       | Washington County Housing &  |           |            |

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|  |                                     |                                     |
|--|-------------------------------------|-------------------------------------|
| Redevelopment Authority<br>Revenue Refunding (Woodland<br>Park Apartments Project)<br>4.70% 10/1/32  | 750,000                             | 701,400                             |
|  |                                     | 12,864,691                          |
| <b>Lease Revenue Bonds</b> □ 6.45%   |                                     |                                     |
| Andover Economic Development<br>Authority Public Facilities Lease<br>Revenue Refunding (Andover<br>Community Center)<br>5.125% 2/1/24<br>5.20% 2/1/29  | 205,000<br>410,000                  | 224,032<br>450,401                  |
| Puerto Rico Public Buildings<br>Authority Revenue Guaranteed<br>Un-Refunded Balance<br>(Government Facilities Bond)<br>Series D 5.25% 7/1/27   | 530,000                             | 427,254                             |
| St. Paul Port Authority<br>Lease Revenue<br>(Cedar Street Office<br>Building Project)<br>5.00% 12/1/22<br>5.25% 12/1/27<br>(Robert Street Office Building<br>Project) Series 3-11<br>5.00% 12/1/27 | 2,385,000<br>2,800,000<br>2,000,000 | 2,447,034<br>2,844,521<br>2,018,920 |
| Virginia Housing & Redevelopment<br>Authority Health Care Facility<br>Lease Revenue<br>5.25% 10/1/25<br>5.375% 10/1/30   | 680,000<br>965,000                  | 569,602<br>768,970                  |
|  |                                     | 9,750,734                           |
| <b>Local General Obligation Bonds</b> □ 8.42%  |                                     |                                     |
| Dakota County Community<br>Development Agency<br>Governmental Housing<br>Refunding (Senior Housing<br>Facilities) Series A<br>5.00% 1/1/23   | 1,100,000                           | 1,139,358                           |
| Hennepin County Series B<br>5.00% 12/1/18  | 2,300,000                           | 2,374,060                           |
| Minneapolis Special School District #1<br>5.00% 2/1/19 (FSA)   | 1,175,000                           | 1,244,537                           |
| Morris Independent School<br>District #769 5.00% 2/1/28 (MBIA)   | 3,750,000                           | 4,071,937                           |

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

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Local General Obligation Bonds (continued)

|  |              |              |
|--|--------------|--------------|
| Washington County Housing & Redevelopment Authority Refunding Series B |              |              |
| 5.50% 2/1/22 (MBIA)  | \$ 1,705,000 | \$ 1,745,903 |
| 5.50% 2/1/32 (MBIA)  | 2,140,000    | 2,147,597    |
|  |              | 12,723,392   |

§Pre-Refunded Bonds □ 7.56%

|  |           |            |
|--|-----------|------------|
| Andover Economic Development Authority Public Facilities Lease Revenue (Andover Community Center) 5.125% 2/1/24-14 | 295,000   | 322,388    |
| 5.20% 2/1/29-14  | 590,000   | 648,139    |
| Minneapolis Community Development Agency Supported (Limited Tax Common Bond Fund) Series G-1 5.70% 12/1/19-11      | 1,100,000 | 1,205,908  |
| Series G-3 5.45% 12/1/31-11  | 1,000,000 | 1,108,150  |
| Puerto Rico Commonwealth Highway & Transportation Authority Revenue Series D 5.25% 7/1/38-12                       | 1,000,000 | 1,110,580  |
| Puerto Rico Public Buildings Authority Revenue Guaranteed (Government Facilities Bond) Series D 5.25% 7/1/27-12    | 1,470,000 | 1,622,733  |
| Southern Minnesota Municipal Power Agency Power Supply System Revenue Series A 5.75% 1/1/18-13                     | 3,715,000 | 3,973,229  |
| St. Louis Park Health Care Facilities Revenue (Park Nicollet Health Services) Series B 5.25% 7/1/30-14             | 1,250,000 | 1,443,713  |
|  |           | 11,434,840 |

Special Tax Revenue Bonds □ 1.54%

|   |           |           |
|---|-----------|-----------|
| Minneapolis Community Development Agency Supported Common Bond Fund Series 5 5.70% 12/1/27                    | 375,000   | 375,116   |
| Minneapolis Development Revenue (Limited Tax Supported Common Bond Fund) Series 1 5.50% 12/1/24 (AMT)         | 1,000,000 | 981,300   |
| Puerto Rico Commonwealth Infrastructure Financing Authority Special Tax Revenue Series B 5.00% 7/1/46         | 800,000   | 561,512   |
| Virgin Islands Public Finance Authority Revenue (Senior Lien Matching Fund Loan Notes) Series A 5.25% 10/1/23 | 500,000   | 417,090   |
|   |           | 2,335,018 |

State General Obligation Bonds □ 3.13%

|   |           |           |
|---|-----------|-----------|
| Puerto Rico Commonwealth Public Improvement Refunding Series A 5.00% 7/1/16 (ASSURED GTY) | 750,000   | 754,928   |
| 5.25% 7/1/15  | 1,100,000 | 1,047,244 |
| 5.50% 7/1/17  | 1,100,000 | 1,027,488 |
| 5.50% 7/1/19 (MBIA)   | 1,000,000 | 956,500   |
| Puerto Rico Government Development Bank Senior Notes Series B 5.00% 12/1/14               | 1,000,000 | 947,140   |
|   |           | 4,733,300 |

Transportation Revenue Bonds □ 8.01%

Minneapolis-St. Paul Metropolitan

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|   |           |                       |
|---|-----------|-----------------------|
| Airports Commission Revenue   |           |                       |
| Series A  |           |                       |
| 5.00% 1/1/22 (MBIA)   | 3,000,000 | 3,042,750             |
| 5.00% 1/1/28 (MBIA)   | 2,120,000 | 2,062,018             |
| 5.25% 1/1/16 (MBIA)   | 1,000,000 | 1,056,620             |
| Series B  |           |                       |
| 5.00% 1/1/35 (AMBAC)  | 2,000,000 | 1,883,960             |
| 5.25% 1/1/24 (FGIC) (AMT)   | 1,000,000 | 945,880               |
| St. Paul Housing & Redevelopment Authority Parking Revenue (Block 19 Ramp Project) Series A 5.35% 8/1/29 (FSA)          | 3,350,000 | 3,118,180             |
|   |           | 12,109,408            |
| <b>Total Municipal Bonds</b><br>(cost \$151,336,103)  |           | <b>147,277,444</b>    |
| <b>•Short-Term Investments</b> □ 1.19%  |           |                       |
| Variable Rate Demand Notes □ 1.19%  |           |                       |
| Minneapolis Health Care System Revenue (Fairview Health Services) Series E 0.25% 11/15/47 (LOC □ Wells Fargo Bank N.A.) | 300,000   | 300,000               |
| University of Minnesota Series C 0.30% 12/1/36 (SPA □ JP Morgan Chase Bank)   | 1,500,000 | 1,500,000             |
| <b>Total Short-Term Investments</b><br>(cost \$1,800,000)   |           | <b>1,800,000</b>      |
| <b>Total Value of Securities</b> □ 98.61%<br>(cost \$153,136,103)   |           | <b>149,077,444</b>    |
| <b>Receivables and Other Assets</b>   |           |                       |
| <b>Net of Liabilities</b> □ 1.39%   |           | <b>2,106,121</b>      |
| <b>Net Assets Applicable to</b> 11,504,975  |           |                       |
| <b>Shares Outstanding; Equivalent to</b>  |           |                       |
| <b>\$13.14 Per Share</b> □ 100.00%  |           | <b>\$ 151,183,565</b> |

(continues) 17

## Statements of net assets

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

#### Components of Net Assets at March 31, 2009:

|   |                       |
|---|-----------------------|
| Common stock, \$0.01 par value, 200 million shares authorized to the Fund | \$ 157,939,491        |
| Accumulated net realized loss on investments                              | (2,697,267)           |
| Net unrealized depreciation of investments                                | (4,058,659)           |
| <b>Total net assets</b>   | <b>\$ 151,183,565</b> |

§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, 2009.

@Illiquid security. At March 31, 2009, the aggregate amount of illiquid securities was \$774,930, which represented 0.51% of the Fund□s net assets. See Note 9 in □Notes to financial statements.□

**Summary of Abbreviations:**

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

See accompanying notes

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**Delaware Investments National Municipal Income Fund**

March 31, 2009

|  | Principal<br>Amount | Value     |
|--|---------------------|-----------|
| <b>Municipal Bonds ☐ 98.11%</b>  |                     |           |
| Corporate-Backed Revenue Bonds ☐ 3.76%   |                     |           |
| •Brazos, Texas Harbor Industrial<br>Development Environmental<br>Facilities Revenue (Dow Chemical<br>Project) 5.90% 5/1/38 (AMT)                     | \$ 125,000          | \$ 84,133 |
| •Chesapeake, Virginia Economic<br>Development Authority Pollution<br>Control Revenue (Virginia Electric<br>& Power Project) Series A<br>3.60% 2/1/32 | 500,000             | 497,610   |
| Iowa Finance Authority Pollution<br>Control Facilities Revenue<br>Refunding (Interstate Power)<br>5.00% 7/1/14 (FGIC)                                | 500,000             | 507,800   |
|  |                     | 1,089,543 |
| <b>Education Revenue Bonds ☐ 3.84%</b>   |                     |           |
| California Educational Facilities<br>Authority Revenue (University<br>of Southern California) Series A<br>5.00% 10/1/39                              | 250,000             | 246,915   |
| California Statewide Communities<br>Development Authority Student<br>Housing Revenue (Irvine, LLC - UCI<br>East Campus) 6.00% 5/15/23                | 470,000             | 417,797   |
| Marietta, Georgia Development<br>Authority Revenue Refunding<br>(Life University Income Project)<br>7.00% 6/15/39                                    | 230,000             | 168,314   |
| Maryland State Economic<br>Development Student Housing<br>Revenue (University of Maryland<br>College Park Projects)<br>5.75% 6/1/33                  | 370,000             | 280,094   |
|  |                     | 1,113,120 |
| <b>Electric Revenue Bonds ☐ 3.60%</b>  |                     |           |
| JEA Florida Electric Systems Revenue<br>Series 3-A 5.00% 10/1/34 (FSA)   | 1,000,000           | 965,360   |
| Long Island, New York Power<br>Authority Electric System   |                     |           |

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|   |           |           |
|---|-----------|-----------|
| Revenue Series A 5.75% 4/1/39   | 75,000    | 76,042    |
| <b>Health Care Revenue Bonds □ 17.43%</b>   |           | 1,041,402 |
| Albany, New York Industrial<br>Development Agency Civic<br>Facility Revenue (St. Peter's<br>Hospital of Albany Project)<br>Series A 5.25% 11/15/32                                      | 500,000   | 373,430   |
| Arizona Health Facilities Authority<br>Revenue (Banner Health)<br>Series A 5.00% 1/1/17   | 310,000   | 311,460   |
| Escambia County, Florida Health<br>Facilities Authority (VHA Program)<br>5.95% 7/1/20 (AMBAC)   | 330,000   | 336,940   |
| Lee Memorial Health System Board<br>of Directors Florida Revenue<br>Refunding Series A<br>5.00% 4/1/20 (FSA)  | 1,000,000 | 1,006,780 |
| •Maryland State Health & Higher<br>Education Facilities Authority<br>Revenue (John Hopkins Health<br>Systems) 5.00% 5/15/48   | 115,000   | 122,444   |
| Massachusetts State Health &<br>Education Facilities Authority<br>Revenue (Caregroup) Refunding<br>Series E-2 5.375% 7/1/19   | 500,000   | 478,310   |
| Orange County, Florida Health<br>Facilities Authority Revenue<br>(Orlando Regional Healthcare)<br>Series A 6.25% 10/1/18 (MBIA)   | 2,000,000 | 2,098,519 |
| Scottsdale, Arizona Industrial<br>Development Authority Hospital<br>Revenue Refunding (Scottsdale<br>Healthcare) Series A 5.00% 9/1/23  | 360,000   | 319,356   |
|   |           | 5,047,239 |
| <b>Housing Revenue Bonds □ 15.43%</b>   |           |           |
| California Housing Finance Agency<br>Revenue (Home Mortgage)<br>Series M 5.95% 8/1/25 (AMT)   | 250,000   | 232,933   |
| Florida Housing Finance Agency<br>(Homeowner Mortgage)<br>Series 2 5.90% 7/1/29<br>(MBIA) (AMT)<br>(Leigh Meadows Apartments)<br>Series N 6.30% 9/1/36 (AMBAC)<br>(AMT) (HUD Section 8) | 310,000   | 309,950   |
| Volusia County, Florida Multifamily<br>Housing Finance Authority<br>(San Marco Apartments)<br>Series A 5.60% 1/1/44<br>(FSA) (AMT)  | 2,510,000 | 2,509,674 |
|   | 1,500,000 | 1,416,825 |
|   |           | 4,469,382 |
| <b>Lease Revenue Bonds □ 6.10%</b>  |           |           |
| Florida State Municipal Loan<br>Council Revenue Series A<br>5.00% 2/1/35 (MBIA)   | 665,000   | 589,303   |
| Orange County, Florida School Board<br>Certificates of Participation<br>Series A 5.00% 8/1/27 (MBIA)  | 1,250,000 | 1,178,300 |
|   |           | 1,767,603 |
| <b>Local General Obligation Bonds □ 4.72%</b>   |           |           |
| Desert, California Community<br>College District Election 2004<br>Series C 5.00% 8/1/37 (FSA)   | 295,000   | 277,955   |
| Idaho Bond Bank Authority Revenue<br>Series A 5.00% 9/15/28   | 250,000   | 252,535   |

# Statements of net assets

## Delaware Investments National Municipal Income Fund

|  | Principal<br>Amount  | Value                |
|--|----------------------|----------------------|
| <b>Municipal Bonds (continued)</b>   |                      |                      |
| <b>Local General Obligation Bonds (continued)</b>  |                      |                      |
| Los Angeles, California Unified<br>School District Election of 2005<br>Series F 5.00% 1/1/34                             | \$ 610,000           | \$ 576,053           |
| New York City, New York<br>Fiscal 2009 Sub-Series A-1<br>5.25% 8/15/21   | 250,000              | 260,140              |
|  |                      | 1,366,683            |
| <b>Special Tax Revenue Bonds □ 17.95%</b>  |                      |                      |
| Jacksonville, Florida Sales Tax<br>Revenue (Better Jacksonville)<br>5.00% 10/1/30 (MBIA)                                 | 1,300,000            | 1,258,413            |
| Jacksonville, Florida Transportation<br>Revenue Refunding<br>5.25% 10/1/29 (MBIA)  | 1,000,000            | 1,001,160            |
| ΩMiami-Dade County, Florida Special<br>Obligation (Capital Appreciation<br>& Income) Series B<br>5.00% 10/1/35 (MBIA)    | 2,000,000            | 1,693,939            |
| New York State Dormitory Authority<br>(State Personal Income Tax<br>Revenue - Education) Series A<br>5.00% 3/15/38       | 570,000              | 553,852              |
| New York State Toll Way Authority<br>(State Personal Income Tax<br>Revenue - Transportation) Series A<br>5.00% 3/15/22   | 425,000              | 448,243              |
| New York State Urban Development<br>Corporation Revenue (State<br>Personal Income Tax) Series B-1<br>5.00% 3/15/36       | 250,000              | 244,918              |
|  |                      | 5,200,525            |
| <b>State General Obligation Bonds □ 8.02%</b>  |                      |                      |
| California State (Various Purposes)<br>6.00% 4/1/38  | 295,000              | 295,218              |
| New York State Refunding<br>Series A 5.00% 2/15/39   | 300,000              | 297,681              |
| Puerto Rico Commonwealth Refunding<br>(Public Improvement) Series A<br>5.00% 7/1/16 (ASSURED GTY)<br>5.50% 7/1/19 (MBIA) | 250,000<br>1,250,000 | 251,643<br>1,195,625 |
| Virginia State Commonwealth<br>Refunding Series B 5.00% 6/1/20   | 250,000              | 282,590              |
|  |                      | 2,322,757            |
| <b>Transportation Revenue Bonds □ 9.24%</b>  |                      |                      |
| Florida Ports Financing<br>Commission Revenue<br>(State Transportation Trust Fund)<br>5.375% 6/1/27 (MBIA) (AMT)         | 1,000,000            | 902,660              |
| Miami-Dade County, Florida<br>Aviation Revenue (Miami<br>International Airport Hub) Series B<br>5.00% 10/1/37 (FGIC)     | 1,000,000            | 860,610              |
| North Texas Tollway Authority<br>Revenue (First Tier System)   |                      |                      |

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|   |           |                      |
|---|-----------|----------------------|
| Refunding<br>Series A 6.00% 1/1/19  | 500,000   | 538,345              |
| •Triborough, New York Bridge &<br>Tunnel Authority Revenue<br>Series B-3 5.00% 11/15/38   | 350,000   | 375,071              |
|   |           | 2,676,686            |
| <b>Water &amp; Sewer Revenue Bonds</b> <input type="checkbox"/> 8.02%   |           |                      |
| Florida Water Pollution Control<br>Financing Corporation Revenue<br>Series A 5.00% 1/15/25  | 235,000   | 240,095              |
| Riviera Beach, Florida Utility Special<br>District Water & Sewer Revenue<br>5.00% 10/1/34 (FGIC)  | 1,200,000 | 926,976              |
| Village Center Community<br>Development District, Florida<br>Utility Revenue<br>5.00% 10/1/36 (MBIA)  | 235,000   | 198,002              |
| Winter Haven, Florida Utilities<br>Systems Revenue<br>5.00% 10/1/30 (MBIA)  | 1,000,000 | 959,299              |
|   |           | 2,324,372            |
| <b>Total Municipal Bonds</b><br>(cost \$30,351,444)   |           | <b>28,419,312</b>    |
| <b>•Short-Term Investments</b> <input type="checkbox"/> 1.38%   |           |                      |
| Variable Rate Demand Notes <input type="checkbox"/> 1.38%   |           |                      |
| Allegheny County, Pennsylvania<br>Industrial Development Authority<br>Revenue (United Jewish Federation)<br>Series B 0.49% 10/1/25<br>(LOC <input type="checkbox"/> PNC Bank N.A.)                            | 200,000   | 200,000              |
| California Statewide Communities<br>Development Authority<br>Multifamily Revenue Refunding<br>(Housing IAC Project)<br>Series W-2 1.50% 9/15/29 (AMT)<br>(LOC <input type="checkbox"/> Wells Fargo Bank N.A.) | 200,000   | 200,000              |
| <b>Total Short-Term Investments</b><br>(cost \$400,000)   |           | <b>400,000</b>       |
| <b>Total Value of Securities</b> <input type="checkbox"/> 99.49%<br>(cost \$30,751,444)   |           | <b>28,819,312</b>    |
| <b>Receivables and Other Assets</b><br><b>Net of Liabilities</b> <input type="checkbox"/> 0.51%   |           | <b>147,330</b>       |
| <b>Net Assets Applicable to</b> 2,422,200   |           |                      |
| <b>Shares Outstanding; Equivalent</b><br><b>to \$11.96 Per Share</b> <input type="checkbox"/> 100.00%   |           | <b>\$ 28,966,642</b> |

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**Components of Net Assets at March 31, 2009:**

|  |                      |
|--|----------------------|
| Common stock, \$0.01 par value, unlimited shares<br>authorized to the Fund | \$ 33,208,317        |
| Accumulated net realized loss on investments                               | (2,309,543)          |
| Net unrealized depreciation of investments                                 | (1,932,132)          |
| <b>Total net assets</b>  | <b>\$ 28,966,642</b> |

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.

•Variable rate security. The rate shown is the rate as of March 31, 2009.



**Summary of Abbreviations:**

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

See accompanying notes

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## Statements of assets and liabilities

**Delaware Investments Closed-End Municipal Bond Funds**

March 31, 2009

|                                   | Delaware<br>Investments<br>Arizona<br>Municipal<br>Income<br>Fund, Inc. | Delaware<br>Investments<br>Colorado<br>Municipal<br>Income<br>Fund, Inc. | Delaware<br>Investments<br>Minnesota<br>Municipal<br>Income<br>Fund II, Inc. | Delaware<br>Investments<br>National<br>Municipal<br>Income<br>Fund |
|-----------------------------------|---|--|--|--|
| <b>Assets:</b>                    |   |  |  |  |
| Investments, at value             | \$ 35,560,614   | \$ 63,118,633  | \$ 149,077,444   | \$ 28,819,312  |
| Cash                              | 1,925,856   | 779,338  | 12,028   | 21,886   |
| Receivables for securities sold   | ☐   | 326,489  | ☐  | 114,255  |
| Interest receivable               | 504,255   | 810,267  | 2,259,073  | 452,582  |
| Total assets                      | 37,990,725  | 65,034,727   | 151,348,545  | 29,408,035   |
| <b>Liabilities:</b>               |   |  |  |  |
| Payables for securities purchased | ☐   | 989,870  | ☐  | 404,521  |
| Due to manager and affiliates     | 14,058  | 23,382   | 55,158   | 10,764   |
| Other accrued expenses            | 32,487  | 68,989   | 109,822  | 26,108   |
| Total liabilities                 | 46,545  | 1,082,241  | 164,980  | 441,393  |
| <b>Total Net Assets</b>           | <b>\$ 37,944,180</b>  | <b>\$ 63,952,486</b>   | <b>\$ 151,183,565</b>  | <b>\$ 28,966,642</b>   |
| Investments, at cost              | \$ 38,063,707   | \$ 64,412,085  | \$ 153,136,103   | \$ 30,751,444  |

See accompanying notes

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## Statements of operations

**Delaware Investments Closed-End Municipal Bond Funds**

Year Ended March 31, 2009

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|   | Delaware<br>Investments<br>Arizona<br>Municipal<br>Income<br>Fund, Inc. | Delaware<br>Investments<br>Colorado<br>Municipal<br>Income<br>Fund, Inc. | Delaware<br>Investments<br>Minnesota<br>Municipal<br>Income<br>Fund II, Inc. | Delaware<br>Investments<br>National<br>Municipal<br>Income<br>Fund |
|---|---|--|--|--|
| <b>Investment Income:</b>   |   |  |  |  |
| Interest  | \$ 2,485,830  | \$ 4,250,593   | \$ 10,452,985  | \$ 2,025,519   |
| <b>Expenses:</b>  |   |  |  |  |
| Management fees   | 211,194   | 350,520  | 832,314  | 164,556  |
| Remarketing agent fees  | 36,458  | 59,167   | 153,958  | 29,583   |
| Interest and related expenses                                     | □   | □  | 152,154  |  |
| Legal fees  | 24,340  | 43,237   | 63,485   | 31,024   |
| Dividend disbursing and transfer agent fees and expenses          | 23,596  | 33,859   | 81,291   | 31,786   |
| Accounting and administration expenses                            | 21,093  | 35,008   | 83,133   | 16,436   |
| Reports and statements to shareholders                            | 17,932  | 24,882   | 52,343   | 14,353   |
| Audit and tax   | 13,076  | 14,493   | 19,352   | 12,670   |
| Rating agency fees  | 10,850  | 7,200  | 25,750   | 10,847   |
| Taxes (other than taxes on income)                                | 6,000   | 8,800  | 14,000   |  |
| Pricing fees  | 5,304   | 5,944  | 11,317   | 2,697  |
| Stock exchange fees   | 2,743   | 4,449  | 10,989   | 2,228  |
| Directors/Trustees fees   | 2,574   | 4,322  | 10,201   | 1,982  |
| Dues and services   | 1,115   | 1,984  | 3,753  | 862  |
| Insurance fees  | 851   | 1,549  | 4,127  | 624  |
| Custodian fees  | 669   | 1,094  | 3,251  | 711  |
| Registration fees   | 643   | 643  | 643  | 643  |
| Consulting fees   | 444   | 740  | 1,759  | 345  |
| Directors/Trustees expenses                                       | 187   | 315  | 744  | 144  |
|   | 379,069   | 598,206  | 1,524,564  | 321,491  |
| Less expense paid indirectly                                      | (636)   | (979)  | (2,145)  | (639)  |
| Total operating expenses  | 378,433   | 597,227  | 1,522,419  | 320,852  |
| <b>Net Investment Income</b>                                      | 2,107,397   | 3,653,366  | 8,930,566  | 1,704,667  |
| <b>Net Realized and Unrealized Loss on Investments:</b>           |   |  |  |  |
| Net realized loss on investments                                  | (198,104)   | (1,425,714)  | (3,108,067)  | (2,108,853)  |
| Net change in unrealized appreciation/depreciation of investments | (3,039,177)   | (3,237,138)  | (8,600,912)  | (1,210,078)  |
| <b>Net Realized and Unrealized Loss on Investments</b>            | (3,237,281)   | (4,662,852)  | (11,708,979)   | (3,318,931)  |
| <b>Dividends on Preferred Stock</b>                               | (520,055)   | (835,572)  | (2,008,388)  | (416,044)  |
| <b>Net Decrease in Net Assets Resulting from Operations</b>       | \$(1,649,939)   | \$(1,845,058)  | \$(4,786,801)  | \$(2,030,308)  |
| See accompanying notes  |   |  |  |  |

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## Statements of changes in net assets

### Delaware Investments Closed-End Municipal Bond Funds

|  | Delaware Investments<br>Arizona Municipal<br>Income Fund, Inc. |         | Delaware Investments<br>Colorado Municipal<br>Income Fund, Inc. |         |
|--|--|---------|---|---------|
|  | Year Ended   |         | Year Ended  |         |
|  | 3/31/09  | 3/31/08 | 3/31/09   | 3/31/08 |

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| <b>Increase (Decrease) in Net Assets from Operations:</b>         |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| Net investment income   | \$ 2,107,397  | \$ 2,702,193  | \$ 3,653,366  | \$ 4,531,590  |
| Net realized gain (loss) on investments                           | (198,104)     | (28,897)      | (1,425,714)   | 258,749       |
| Net change in unrealized appreciation/depreciation of investments | (3,039,177)   | (2,303,717)   | (3,237,138)   | (3,201,150)   |
| Dividends on preferred stock                                      | (520,055)     | (999,630)     | (835,572)     | (1,516,750)   |
| Net increase (decrease) in net assets resulting from operations   | (1,649,939)   | (630,051)     | (1,845,058)   | 72,430        |
| <b>Dividends and Distributions to Common Shareholders from:</b>   |               |               |               |               |
| Net investment income   | (1,699,854)   | (1,819,142)   | (3,175,556)   | (3,482,710)   |
| Net realized gain on investments                                  | □             | (172,967)     | □             | (672,350)     |
|   | (1,699,854)   | (1,992,109)   | (3,175,556)   | (4,155,060)   |
| <b>Net Decrease in Net Assets</b>                                 |               |               |               |               |
|   | (3,349,793)   | (2,622,160)   | (5,020,614)   | (4,082,630)   |
| <b>Net Assets:</b>  |               |               |               |               |
| Beginning of year   | 41,293,973    | 43,916,133    | 68,973,100    | 73,055,730    |
| End of year   | \$ 37,944,180 | \$ 41,293,973 | \$ 63,952,486 | \$ 68,973,100 |
| Undistributed (Distributions in excess of) net investment income  | \$ □          | \$ (15,481)   | \$ □          | \$ 37,770     |

|   | Delaware Investments<br>Minnesota Municipal<br>Income Fund II, Inc. |                       | Delaware Investments<br>National Municipal<br>Income Fund |                       |
|---|---|-----------------------|---|-----------------------|
|   | Year Ended<br>3/31/09   | Year Ended<br>3/31/08 | Year Ended<br>3/31/09                                     | Year Ended<br>3/31/08 |
| <b>Increase (Decrease) in Net Assets from Operations:</b>         |   |                       |   |                       |
| Net investment income   | \$ 8,930,566  | \$ 11,067,616         | \$ 1,704,667  | \$ 2,225,000          |
| Net realized gain (loss) on investments                           | (3,108,067)   | 95,113                | (2,108,853)   | (200,000)             |
| Net change in unrealized appreciation/depreciation of investments | (8,600,912)   | (7,753,436)           | (1,210,078)   | (2,402,000)           |
| Dividends on preferred stock                                      | (2,008,388)   | (3,654,473)           | (416,044)   | (789,000)             |
| Net decrease in net assets resulting from operations              | (4,786,801)   | (245,180)             | (2,030,308)   | (1,167,000)           |
| <b>Dividends and Distributions to Common Shareholders from:</b>   |   |                       |   |                       |
| Net investment income   | (7,334,488)   | (7,593,284)           | (1,368,543)   | (1,616,000)           |
| Net realized gain on investments                                  | □   | □                     | □   | (106,000)             |
|   | (7,334,488)   | (7,593,284)           | (1,368,543)   | (1,723,000)           |
| <b>Net Decrease in Net Assets</b>                                 |   |                       |   |                       |
|   | (12,121,289)  | (7,838,464)           | (3,398,851)   | (2,890,000)           |
| <b>Net Assets:</b>  |   |                       |   |                       |
| Beginning of year   | 163,304,854   | 171,143,318           | 32,365,493  | 35,256,000            |
| End of year   | \$ 151,183,565  | \$ 163,304,854        | \$ 28,966,642   | \$ 32,365,000         |
| Distributions in excess of net investment income                  | \$ □  | \$ (58,932)           | \$ □  | \$ (12,000)           |

See accompanying notes

## Financial highlights

Delaware Investments Arizona Municipal Income Fund, Inc.

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

|  | Year Ended |           |           |           |           |
|--|------------|-----------|-----------|-----------|-----------|
|  | 3/31/09    | 3/31/08   | 3/31/07   | 3/31/06   | 3/31/05   |
| <b>Net asset value, beginning of period</b>  | \$13.850   | \$14.730  | \$14.730  | \$15.070  | \$15.570  |
| <b>Income (loss) from investment operations:</b>   |            |           |           |           |           |
| Net investment income  | 0.707      | 0.906     | 0.932     | 0.951     | 0.956     |
| Net realized and unrealized gain (loss) on investments   | (1.093)    | (0.783)   | 0.160     | (0.177)   | (0.332)   |
| Dividends on preferred stock from:   |            |           |           |           |           |
| Net investment income  | (0.174)    | (0.312)   | (0.297)   | (0.232)   | (0.118)   |
| Net realized gain on investments   | □          | (0.023)   | (0.013)   | (0.002)   | (0.003)   |
| Total dividends on preferred stock   | (0.174)    | (0.335)   | (0.310)   | (0.234)   | (0.121)   |
| Total from investment operations   | (0.560)    | (0.212)   | 0.782     | 0.540     | 0.503     |
| <b>Less dividends and distributions to common shareholders from:</b>   |            |           |           |           |           |
| Net investment income  | (0.570)    | (0.610)   | (0.750)   | (0.860)   | (0.960)   |
| Net realized gain on investments   | □          | (0.058)   | (0.032)   | (0.020)   | (0.043)   |
| Total dividends and distributions  | (0.570)    | (0.668)   | (0.782)   | (0.880)   | (1.003)   |
| <b>Net asset value, end of period</b>  | \$12.720   | \$13.850  | \$14.730  | \$14.730  | \$15.070  |
| <b>Market value, end of period</b>   | \$9.900    | \$12.390  | \$14.790  | \$15.980  | \$15.390  |
| <b>Total investment return based on:<sup>1</sup></b>   |            |           |           |           |           |
| Market value   | (15.86%)   | (11.86%)  | (2.58%)   | 9.74%     | (0.78%)   |
| Net asset value  | (3.29%)    | (1.08%)   | 5.26%     | 3.31%     | 3.34%     |
| <b>Ratios and supplemental data:</b>   |            |           |           |           |           |
| Net assets applicable to common shares, end of period (000 omitted)  | \$37,944   | \$41,294  | \$43,916  | \$43,923  | \$44,936  |
| Ratio of expenses to average net assets applicable to common shares <sup>2</sup>   | 0.96%      | 1.07%     | 1.05%     | 1.03%     | 1.18%     |
| Ratio of net investment income to average net assets applicable to common shares <sup>2</sup>                                      | 5.37%      | 6.34%     | 6.34%     | 6.28%     | 6.34%     |
| Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares <sup>3</sup> | 4.05%      | 3.99%     | 4.23%     | 4.72%     | 5.54%     |
| Portfolio turnover   | 4%         | 18%       | 17%       | 2%        | 8%        |
| <b>Leverage analysis:</b>  |            |           |           |           |           |
| Value of preferred shares outstanding (000 omitted) <sup>4</sup>   | \$□        | \$25,000  | \$25,000  | \$25,000  | \$25,000  |
| Net asset coverage per share of preferred shares, end of period <sup>4</sup>   | \$□        | \$132,588 | \$137,832 | \$137,847 | \$139,872 |
| Liquidation value per share of preferred shares <sup>4,5</sup>   | \$□        | \$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> In 2008, the Fund redeemed all of its preferred shares at par plus accumulated dividends amounting to \$25,024,395. See Note 7 in □Notes to financial statements.□

<sup>5</sup> Excluding any accumulated but unpaid dividends. See accompanying notes

(continues) 25

## Financial highlights

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

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

|  | Year Ended |           |           |           |           |
|--|------------|-----------|-----------|-----------|-----------|
|  | 3/31/09    | 3/31/08   | 3/31/07   | 3/31/06   | 3/31/05   |
| <b>Net asset value, beginning of period</b>  | \$14.260   | \$15.100  | \$15.260  | \$15.580  | \$16.100  |
| <b>Income (loss) from investment operations:</b>   |            |           |           |           |           |
| Net investment income  | 0.755      | 0.937     | 0.985     | 1.018     | 1.018     |
| Net realized and unrealized gain (loss) on investments   | (0.965)    | (0.604)   | 0.069     | (0.129)   | (0.129)   |
| Dividends on preferred stock from:   |            |           |           |           |           |
| Net investment income  | (0.173)    | (0.264)   | (0.274)   | (0.213)   | (0.213)   |
| Net realized gain on investments   | □          | (0.050)   | (0.019)   | (0.006)   | (0.006)   |
| Total dividends on preferred stock   | (0.173)    | (0.314)   | (0.293)   | (0.219)   | (0.219)   |
| Total from investment operations   | (0.383)    | 0.019     | 0.761     | 0.670     | 0.670     |
| <b>Less dividends and distributions to common shareholders from:</b>   |            |           |           |           |           |
| Net investment income  | (0.657)    | (0.720)   | (0.850)   | (0.960)   | (0.960)   |
| Net realized gain on investments   | □          | (0.139)   | (0.071)   | (0.030)   | (0.030)   |
| Total dividends and distributions  | (0.657)    | (0.859)   | (0.921)   | (0.990)   | (0.990)   |
| <b>Net asset value, end of period</b>  | \$13.220   | \$14.260  | \$15.100  | \$15.260  | \$15.580  |
| <b>Market value, end of period</b>   | \$11.240   | \$15.060  | \$15.940  | \$18.650  | \$17.100  |
| <b>Total investment return based on:<sup>1</sup></b>   |            |           |           |           |           |
| Market value   | (21.63%)   | (0.14%)   | (9.86%)   | 14.64%    | 7.44%     |
| Net asset value  | (2.66%)    | (0.19%)   | 4.35%     | 3.44%     | 2.55%     |
| <b>Ratios and supplemental data:</b>   |            |           |           |           |           |
| Net assets applicable to common shares, end of period (000 omitted)  | \$63,952   | \$68,973  | \$73,056  | \$73,833  | \$75,000  |
| Ratio of expenses to average net assets applicable to common shares <sup>2</sup>   | 0.91%      | 1.03%     | 1.01%     | 0.95%     | 1.00%     |
| Ratio of net investment income to average net assets applicable to common shares <sup>2</sup>                                      | 5.55%      | 6.37%     | 6.49%     | 6.51%     | 6.51%     |
| Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares <sup>3</sup> | 4.28%      | 4.23%     | 4.56%     | 5.11%     | 5.61%     |
| Portfolio turnover   | 16%        | 16%       | 11%       | 12%       | 12%       |
| <b>Leverage analysis:</b>  |            |           |           |           |           |
| Value of preferred shares outstanding (000 omitted) <sup>4</sup>   | \$□        | \$40,000  | \$40,000  | \$40,000  | \$40,000  |
| Net asset coverage per share of preferred shares, end of period <sup>4</sup>   | \$□        | \$136,216 | \$141,320 | \$142,291 | \$144,000 |
| Liquidation value per share of preferred shares <sup>4,5</sup>   | \$□        | \$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> In 2008, the Fund redeemed all of its preferred shares at par plus accumulated dividends amounting to \$40,042,778. See Note 7 in [ ]Notes to financial statements. [ ]

<sup>5</sup> Excluding any accumulated but unpaid dividends. See accompanying notes

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

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

|  | Year Ended |           |           |           |
|--|------------|-----------|-----------|-----------|
|  | 3/31/09    | 3/31/08   | 3/31/07   | 3/31/06   |
| <b>Net asset value, beginning of period</b>  | \$14.190   | \$14.880  | \$14.730  | \$14.890  |
| <b>Income (loss) from investment operations:</b>   |            |           |           |           |
| Net investment income  | 0.776      | 0.962     | 0.963     | 0.971     |
| Net realized and unrealized gain (loss) on investments   | (1.013)    | (0.674)   | 0.225     | 0.012     |
| Dividends on preferred stock from:   |            |           |           |           |
| Net investment income  | (0.175)    | (0.318)   | (0.298)   | (0.243)   |
| Total dividends on preferred stock   | (0.175)    | (0.318)   | (0.298)   | (0.243)   |
| Total from investment operations   | (0.412)    | (0.030)   | 0.890     | 0.740     |
| <b>Less dividends to common shareholders from:</b>   |            |           |           |           |
| Net investment income  | (0.638)    | (0.660)   | (0.740)   | (0.900)   |
| Total dividends  | (0.638)    | (0.660)   | (0.740)   | (0.900)   |
| <b>Net asset value, end of period</b>  | \$13.140   | \$14.190  | \$14.880  | \$14.730  |
| <b>Market value, end of period</b>   | \$11.250   | \$13.450  | \$14.640  | \$16.200  |
| <b>Total investment return based on:<sup>1</sup></b>   |            |           |           |           |
| Market value   | (11.91%)   | (3.58%)   | (5.13%)   | 4.73%     |
| Net asset value  | (2.48%)    | 0.08%     | 6.05%     | 4.69%     |
| <b>Ratios and supplemental data:</b>   |            |           |           |           |
| Net assets applicable to common shares, end of period (000 omitted)  | \$151,184  | \$163,305 | \$171,143 | \$169,481 |
| Ratio of expenses to average net assets applicable to common shares <sup>2,4</sup>   | 0.98%      | 1.18%     | 1.20%     | 1.07%     |
| Ratio of net investment income to average net assets applicable to common shares <sup>2</sup>                                      | 5.74%      | 6.61%     | 6.52%     | 6.45%     |
| Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares <sup>3</sup> | 4.45%      | 4.43%     | 4.50%     | 4.86%     |
| Portfolio turnover   | 15%        | 6%        | 3%        | 8%        |
| <b>Leverage analysis:</b>  |            |           |           |           |
| Value of preferred shares outstanding (000 omitted) <sup>5</sup>   | \$□        | \$95,000  | \$95,000  | \$95,000  |
| Net asset coverage per share of preferred shares, end of period <sup>5</sup>   | \$□        | \$135,950 | \$140,075 | \$139,200 |
| Liquidation value per share of preferred shares <sup>5,6</sup>   | \$□        | \$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> The ratio of expenses to average net assets applicable to common shares includes interest and related expenses which include, but are not limited to, interest expense, remarketing fees, liquidity fees, and trustees' fees in connection with the Fund's participation in inverse floater programs for the years ended March 31, 2009, 2008, and 2007. See Notes 1 and 8 in Notes to financial statements.

<sup>5</sup> In 2008, the Fund redeemed all of its preferred shares at par plus accumulated dividends amounting to \$95,083,577. See Note 7 in Notes to financial statements.

<sup>6</sup> Excluding any accumulated but unpaid dividends.

See accompanying notes

## Financial highlights

### Delaware Investments National Municipal Income Fund

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

|  | Year Ended |           |           |           |           |
|--|------------|-----------|-----------|-----------|-----------|
|  | 3/31/09    | 3/31/08   | 3/31/07   | 3/31/06   | 3/31/05   |
| <b>Net asset value, beginning of period</b>  | \$13.360   | \$14.560  | \$14.650  | \$15.340  | \$16.050  |
| <b>Income (loss) from investment operations:</b>   |            |           |           |           |           |
| Net investment income  | 0.704      | 0.919     | 0.960     | 1.017     | 1.017     |
| Net realized and unrealized gain (loss) on investments   | (1.367)    | (1.081)   | 0.141     | (0.236)   | (0.236)   |
| Dividends on preferred stock from:   |            |           |           |           |           |
| Net investment income  | (0.172)    | (0.311)   | (0.285)   | (0.202)   | (0.202)   |
| Net realized gain on investments   | □          | (0.015)   | (0.018)   | (0.055)   | (0.055)   |
| Total dividends on preferred stock   | (0.172)    | (0.326)   | (0.303)   | (0.257)   | (0.257)   |
| Total from investment operations   | (0.835)    | (0.488)   | 0.798     | 0.524     | 0.524     |
| <b>Less dividends and distributions to common shareholders from:</b>   |            |           |           |           |           |
| Net investment income  | (0.565)    | (0.668)   | (0.820)   | (0.970)   | (0.970)   |
| Net realized gain on investments   | □          | (0.044)   | (0.068)   | (0.244)   | (0.244)   |
| Total dividends and distributions  | (0.565)    | (0.712)   | (0.888)   | (1.214)   | (1.214)   |
| <b>Net asset value, end of period</b>  | \$11.960   | \$13.360  | \$14.560  | \$14.650  | \$16.050  |
| <b>Market value, end of period</b>   | \$10.850   | \$11.950  | \$14.530  | \$16.050  | \$16.050  |
| <b>Total investment return based on:<sup>1</sup></b>   |            |           |           |           |           |
| Market value   | (4.31%)    | (13.11%)  | (4.12%)   | 14.75%    | 14.75%    |
| Net asset value  | (5.65%)    | (3.05%)   | 5.27%     | 2.76%     | 2.76%     |
| <b>Ratios and supplemental data:</b>   |            |           |           |           |           |
| Net assets applicable to common shares, end of period (000 omitted)  | \$28,967   | \$32,365  | \$35,256  | \$35,492  | \$35,492  |
| Ratio of expenses to average net assets applicable to common shares <sup>2</sup>   | 1.06%      | 1.16%     | 1.10%     | 1.07%     | 1.07%     |
| Ratio of net investment income to average net assets applicable to common shares <sup>2</sup>                                      | 5.63%      | 6.54%     | 6.58%     | 6.70%     | 6.70%     |
| Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares <sup>3</sup> | 4.25%      | 4.22%     | 4.51%     | 5.01%     | 5.01%     |
| Portfolio turnover   | 36%        | 17%       | 9%        | 28%       | 28%       |
| <b>Leverage analysis:</b>  |            |           |           |           |           |
| Value of preferred shares outstanding (000 omitted) <sup>4</sup>   | □          | \$20,000  | \$20,000  | \$20,000  | \$20,000  |
| Net asset coverage per share of preferred shares, end of period <sup>4</sup>   | □          | \$130,914 | \$138,141 | \$138,731 | \$138,731 |
| Liquidation value per share of preferred shares <sup>4,5</sup>   | □          | \$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> In 2008, the Fund redeemed all of its preferred shares at par plus accumulated dividends amounting to \$20,019,516. See Note 7 in [Notes to financial statements](#).

<sup>5</sup> Excluding any accumulated but unpaid dividends.  
See accompanying notes

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## Notes to financial statements

### Delaware Investments Closed-End Municipal Bond Funds

March 31, 2009

Delaware Investments Arizona Municipal Income Fund, Inc. (Arizona Municipal Fund), Delaware Investments Colorado Municipal Income Fund, Inc. (Colorado Municipal Fund) and Delaware Investments Minnesota Municipal Income Fund II, Inc. (Minnesota Municipal Fund II) are organized as Minnesota corporations and Delaware Investments National Municipal Income Fund (National Municipal Fund) is organized as a Massachusetts business trust (each referred to as a Fund and collectively as the Funds). Arizona Municipal Fund, Colorado Municipal Fund, Minnesota Municipal Fund II and National Municipal Fund are considered diversified closed-end management investment companies under the Investment Company Act of 1940, as amended. The Funds' shares trade on the NYSE Alternext, the successor to the American Stock Exchange.

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

#### 1. Significant Accounting Policies

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

**Security Valuation** Long-term debt securities are valued by an independent pricing service or broker. To the extent current market prices are not available, the pricing service may take into account developments related to the specific security, as well as transactions in comparable securities. Short-term debt securities having less than 60 days to maturity are valued at amortized cost, which approximates market value. Generally, other securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith under the direction of each Fund's Board of Directors/Trustees (each a Board, and collectively, the Boards). In determining whether market quotations are readily available or fair valuation will be used, various factors will be taken into consideration, such as market closures or suspension of trading in a security.

**Federal Income Taxes** No provision for federal income taxes has been made as each Fund intends to continue to qualify for federal income tax purposes as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, and make the requisite distributions to shareholders. The Funds evaluate tax positions taken or expected to be taken in the course of preparing the Funds' tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. The Funds did not record any tax benefit or expense in the current period.

**Use of Estimates** The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Interest and Related Expenses** Interest and related expenses include, but are not limited to, interest expense, remarketing fees, liquidity fees, and trustees' fees from the Minnesota Municipal Fund 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 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' expenses are recorded on the accrual basis.



Minnesota Municipal Fund II sold out of its inverse floater positions on September 29, 2008. For the period ended September 29, 2008, the Fund had an average daily liability from the participation in inverse floater programs of \$8,500,000 and recorded interest expense at an average rate of 3.59%.

**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.

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 on the statements of operations with the corresponding expense offset shown as ☐expense paid indirectly.☐

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## Notes to financial statements

### Delaware Investments Closed-End Municipal Bond Funds

#### 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 any preferred shares outstanding.

Delaware Service Company, Inc. (DSC), an affiliate of DMC, provides fund accounting and financial administration oversight services to the Funds. For these services, the Funds pay DSC fees based on the aggregate daily net assets of the Delaware Investments® Family of Funds at the following annual rate: 0.0050% of the first \$30 billion; 0.0045% of the next \$10 billion; 0.0040% of the next \$10 billion; and 0.0025% of aggregate average daily net assets in excess of \$50 billion. The fees payable to DSC under the service agreement described above are allocated among all Funds in the Delaware Investments® Family of Funds on a relative net asset value basis. For the year ended March 31, 2009, the Funds were charged as follows:

|  | Arizona<br>Municipal<br>Fund | Colorado<br>Municipal<br>Fund | Minnesota<br>Municipal<br>Fund II | National<br>Municipal<br>Fund |
|--|------------------------------|-------------------------------|-----------------------------------|-------------------------------|
|  | \$2,637                      | \$4,376                       | \$10,392                          | \$2,054                       |

At March 31, 2009, each Fund had liabilities payable to affiliates as follows:

|   | Arizona<br>Municipal<br>Fund | Colorado<br>Municipal<br>Fund | Minnesota<br>Municipal<br>Fund II | National<br>Municipal<br>Fund |
|---|------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| Investment management fee payable to DMC                    | \$12,602                     | \$21,222                      | \$50,091                          | \$9,602                       |
| Accounting administration and other expenses payable to DSC | 160                          | 270                           | 638                               | 122                           |
| Other expenses payable to DMC and affiliates*               | 1,296                        | 1,890                         | 4,429                             | 1,040                         |

\*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,

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2009, 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<br>Municipal<br>Fund | Minnesota<br>Municipal<br>Fund II | National<br>Municipal<br>Fund |
|--|------------------------------|-------------------------------|-----------------------------------|-------------------------------|
|  | \$2,876                      | \$4,832                       | \$11,416                          | \$2,216                       |

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

### 3. Investments

For the year ended March 31, 2009, the Funds made purchases and sales of investment securities other than short-term investments as follows:

|           | Arizona<br>Municipal<br>Fund | Colorado<br>Municipal<br>Fund | Minnesota<br>Municipal<br>Fund II | National<br>Municipal<br>Fund |
|-----------|------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| Purchases | \$ 1,969,135                 | \$ 13,589,588                 | \$ 30,231,023                     | \$ 14,191,743                 |
| Sales     | 28,497,501                   | 53,092,293                    | 123,563,781                       | 32,970,150                    |

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### 3. Investments (continued)

At March 31, 2009, 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>Municipal<br>Fund | Minnesota<br>Municipal<br>Fund II | National<br>Municipal<br>Fund |
|-----------------------------------|------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| Cost of investments               | \$ 38,046,264                | \$ 64,412,085                 | \$ 153,115,251                    | \$ 30,751,444                 |
| Aggregate unrealized appreciation | \$ 915,771                   | \$ 2,617,076                  | \$ 5,386,558                      | \$ 112,294                    |
| Aggregate unrealized depreciation | (3,401,421)                  | (3,910,528)                   | (9,424,365)                       | (2,044,426)                   |
| Net unrealized depreciation       | \$ (2,485,650)               | \$ (1,293,452)                | \$ (4,037,807)                    | \$ (1,932,132)                |

Effective April 1, 2008, the Funds adopted Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 defines fair value as the price that each Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 also establishes a framework for measuring fair value, and a three level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. Each Fund's investment in its entirety is assigned a level based upon the observability of the inputs which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below.

Level 1 inputs are quoted prices in active markets

Level 2 inputs are observable, directly or indirectly

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

The following table summarizes the valuation of each Fund's investments by the FAS 157 fair value hierarchy levels as of March 31, 2009:

|  | Arizona | Colorado | Minnesota | National |
|--|---------|----------|-----------|----------|
|--|---------|----------|-----------|----------|

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|         | Municipal Fund | Municipal Fund | Municipal Fund II | Municipal Fund |
|---------|----------------|----------------|-------------------|----------------|
| Level 1 | \$ □           | \$ □           | \$ □              | \$ □           |
| Level 2 | 35,560,614     | 63,118,633     | 149,077,444       | 28,819,312     |
| Level 3 | □              | □              | □                 | □              |
| Total   | \$ 35,560,614  | \$ 63,118,633  | \$ 149,077,444    | \$ 28,819,312  |

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

#### 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, distributions from 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, 2009 and 2008 was as follows:

|                           | Arizona Municipal Fund | Colorado Municipal Fund | Minnesota Municipal Fund II | National Municipal Fund |
|---------------------------|------------------------|-------------------------|-----------------------------|-------------------------|
| <b>Year Ended 3/31/09</b> |                        |                         |                             |                         |
| Ordinary income           | \$ 129,029             | \$ 319,989              | \$ 637,277                  | \$ 92,304               |
| Tax-exempt income         | 2,090,880              | 3,691,139               | 8,705,599                   | 1,692,283               |
| Total                     | \$ 2,219,909           | \$ 4,011,128            | \$ 9,342,876                | \$ 1,784,587            |
| <b>Year Ended 3/31/08</b> |                        |                         |                             |                         |
| Ordinary income           | \$ 58,659              | \$ □                    | \$ 32,679                   | \$ 60,768               |
| Tax-exempt income         | 2,700,762              | 4,758,605               | 11,215,078                  | 2,310,133               |
| Long-term capital gain    | 232,318                | 913,220                 | □                           | 142,452                 |
| Total                     | \$ 2,991,739           | \$ 5,671,825            | \$ 11,247,757               | \$ 2,513,353            |

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## Notes to financial statements

### Delaware Investments Closed-End Municipal Bond Funds

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

As of March 31, 2009, the components of net assets on a tax basis were as follows:

|  | Arizona Municipal Fund | Colorado Municipal Fund | Minnesota Municipal Fund II | National Municipal Fund |
|--|------------------------|-------------------------|-----------------------------|-------------------------|
| Shares of beneficial interest          | \$ 40,651,205          | \$ 66,918,121           | \$ 157,939,491              | \$ 33,208,317           |
| Post-October losses                    | □                      | (19,237)                | (716,008)                   | (519,963)               |
| Capital loss carryforwards             | (221,375)              | (1,652,946)             | (2,002,111)                 | (1,789,580)             |
| Unrealized depreciation of investments | (2,485,650)            | (1,293,452)             | (4,037,807)                 | (1,932,132)             |
| Net assets                             | \$ 37,944,180          | \$ 63,952,486           | \$ 151,183,565              | \$ 28,966,642           |

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

Post-October losses represent losses realized on investment transactions from November 1, 2008 through March 31, 2009 that in accordance with federal income tax regulations, the Funds have elected to defer and treat as having arisen in the following year.

For financial reporting purposes, capital accounts are adjusted to reflect the tax character of permanent book/tax differences. Reclassifications are primarily due to tax treatment of dividends and distributions, capital loss carryforward expiration and tax treatment of market discount on debt instruments. Results of operations and net assets were not affected by these reclassifications. For the year ended March 31, 2009, the Funds recorded the following reclassifications:

|                                     | Arizona<br>Municipal<br>Fund | Colorado<br>Municipal<br>Fund | Minnesota<br>Municipal<br>Fund II | National<br>Municipal<br>Fund |
|-------------------------------------|------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| Paid-in capital                     | \$(129,029)                  | \$(319,989)                   | \$(810,931)                       | \$(92,304)                    |
| Undistributed net investment income | 127,993                      | 319,989                       | 471,242                           | 92,304                        |
| Accumulated net realized loss       | 1,036                        | □                             | 339,689                           | □                             |

For federal income tax purposes, capital loss carryforwards may be carried forward and applied against future capital gains. In 2009, \$175,804 of capital loss carryforwards expired for the Minnesota Municipal Fund II. Capital loss carryforwards remaining at March 31, 2009 will expire as follows:

| Year of Expiration | Arizona<br>Municipal<br>Fund | Colorado<br>Municipal<br>Fund | Minnesota<br>Municipal<br>Fund II | National<br>Municipal<br>Fund |
|--------------------|------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| 2010               | \$ □                         | \$ □                          | \$ 8,416                          | \$ □                          |
| 2013               | □                            | □                             | 9,826                             | □                             |
| 2016               | □                            | □                             | □                                 | 18,596                        |
| 2017               | 221,375                      | 1,652,946                     | 1,983,869                         | 1,770,984                     |
| Total              | \$221,375                    | \$1,652,946                   | \$2,002,111                       | \$1,789,580                   |

### 6. Capital Stock

Pursuant to their articles of incorporation, Arizona Municipal Fund, Colorado Municipal Fund and Minnesota Municipal Fund II each have 200 million shares of \$0.01 par value common shares authorized. National Municipal Fund has been authorized to issue an unlimited amount of \$0.01 par value common shares. The Funds did not repurchase any shares under the Share Repurchase Program during the year ended March 31, 2009. Shares issuable under the Funds' dividend reinvestment plan are purchased by the Funds' transfer agent, BNY Mellon Investor Services, Inc., in the open market.

For the year ended March 31, 2009, the Funds did not have any transactions in common shares.

### 7. Redemption of Preferred Shares

On October 7, 2008, the Funds' Board approved a plan to redeem all outstanding preferred shares issued by the Funds. The plan was intended to better position each Fund to pursue its investment objectives in light of current and unprecedented market volatility, which has resulted in higher short-term interest rates. Management recommended the redemption of the Funds' preferred shares based on its expectation that at that time it may become increasingly difficult for the Funds to invest the assets attributable to the preferred shares in securities that provide a sufficient rate of return compared to the dividend rates payable on the preferred shares, which had remained elevated in recent remarketings. These higher costs, in conjunction with market conditions at that time, could cause the Funds to realize an overall lower rate of return than if the Funds were not leveraged. Each Fund's Board may consider adding some form of leverage to the Funds in the future if warranted by economic conditions at that time.

### 7. Redemption of Preferred Shares (continued)

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Prior to the redemption of the preferred shares, each Fund had a liquidation preference of \$50,000 per share plus an amount equal to accumulated but unpaid dividends. The effective dates and redemption values are as follows:

**Arizona Municipal Fund**

| Effective 10/24/08 | Shares Redeemed | Total                   |
|--------------------|-----------------|-------------------------|
| Series A           | 250             | \$ 12,512,197.50        |
| Series B           | 250             | 12,512,197.50           |
| <b>Total</b>       | <b>500</b>      | <b>\$ 25,024,395.00</b> |

**Colorado Municipal Fund**

|                    |            |                         |
|--------------------|------------|-------------------------|
| Effective 10/22/08 |            |                         |
| Series A           | 270        | \$ 13,516,758.90        |
| Series B           | 270        | 13,516,758.90           |
|                    |            | \$ 27,033,517.80        |
| Effective 10/29/08 |            |                         |
| Colorado A         | 95         | \$ 4,753,593.85         |
| Colorado B         | 95         | 4,753,593.85            |
|                    |            | \$ 9,507,187.70         |
| Effective 11/5/08  |            |                         |
| Series A           | 35         | \$ 1,751,036.00         |
| Series B           | 35         | 1,751,036.00            |
|                    |            | \$ 3,502,072.00         |
| <b>Total</b>       | <b>800</b> | <b>\$ 40,042,777.50</b> |

**Minnesota Municipal Fund II**

|                                 |              |                         |
|---------------------------------|--------------|-------------------------|
| Effective 10/22/08              |              |                         |
| Series B                        | 355          | \$ 17,772,038.40        |
| Effective 10/24/08              |              |                         |
| Series A                        | 355          | \$ 17,767,320.45        |
| Series C                        | 227          | 11,361,075.33           |
| Series D                        | 177          | 8,858,635.83            |
|                                 |              | \$ 37,987,031.61        |
| Effective 10/29/08 and 10/31/08 |              |                         |
| Series A                        | 115          | \$ 5,753,645.50         |
| Series B                        | 115          | 5,754,350.45            |
| Series C                        | 80           | 4,002,536.00            |
| Series D                        | 60           | 3,001,902.00            |
|                                 |              | \$ 18,512,433.95        |
| Effective 11/5/08 and 11/7/08   |              |                         |
| Series B                        | 130          | \$ 6,503,848.00         |
| Series A                        | 130          | 6,503,738.80            |
| Series C                        | 93           | 4,652,674.68            |
| Series D                        | 63           | 3,151,811.88            |
|                                 |              | \$ 20,812,073.36        |
| <b>Total</b>                    | <b>1,900</b> | <b>\$ 95,083,577.32</b> |

**National Municipal Fund**

|                    |            |                         |
|--------------------|------------|-------------------------|
| Effective 10/24/08 |            |                         |
| Series A           | 200        | \$ 10,009,758.00        |
| Series B           | 200        | 10,009,758.00           |
| <b>Total</b>       | <b>400</b> | <b>\$ 20,019,516.00</b> |

In connection with these transactions, each Fund liquidated a corresponding amount of its investments to fund the redemptions.

(continues) 33

# Notes to financial statements

## Delaware Investments Closed-End Municipal Bond Funds

### 8. Inverse Floaters

Each Fund 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 portfolio. Duration measures a portfolio's sensitivity to changes in interest rates. By holding inverse floaters with a different duration than the underlying bonds that a Fund transferred to the trust, the Fund seeks to adjust its portfolio's sensitivity to changes in interest rates. The Funds may also invest in inverse floaters to add additional income to the Funds or to adjust the Funds' exposure to a specific segment of the yield curve. At March 31, 2009, the Funds held no investments in inverse floaters.

### 9. Credit and Market Risk

The Funds concentrate their investments in securities issued by municipalities. The value of these investments may be adversely affected by new legislation within the states, regional or local and national economic conditions, as applicable and differing levels of supply and demand for municipal bonds. Many municipalities insure repayment for their obligations. Although bond insurance reduces the risk of loss due to default by an issuer, such bonds remain subject to the risk that value may fluctuate for other reasons and there is no assurance that the insurance company will meet its obligations. A real or perceived decline in creditworthiness of a bond insurer can have an adverse impact on the value of insured bonds held in the Funds. At March 31, 2009, the percentages of each Fund's net assets insured by bond insurers were as follows:

|                             |     |
|-----------------------------|-----|
| Arizona Municipal Fund      | 35% |
| Colorado Municipal Fund     | 47% |
| Minnesota Municipal Fund II | 32% |
| National Municipal Fund     | 71% |

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

The Funds invest a portion of their assets in high yield fixed income securities, which carry ratings of BB or lower by Standard & Poor's Ratings Group (S&P) and/or Ba or lower by Moody's Investors Service, Inc. (Moody's). Investments in these higher yielding securities are generally accompanied by a greater degree of credit risk than higher rated securities. Additionally, lower rated securities may be more susceptible to adverse economic and competitive industry conditions than investment grade securities.

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 and 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, S&P, and/or Fitch Ratings (Fitch) 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 net assets in illiquid securities, which may include securities with contractual restrictions on resale, securities exempt from registration under Rule 144A of the Securities Act of 1933, as amended, and other securities which may not be readily marketable. The relative illiquidity of these securities may impair each Fund from disposing of them in a timely manner and at a fair price when it is necessary or desirable to do so. While maintaining oversight, each Fund's Board 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. Securities eligible for resale pursuant to Rule 144A, which are determined to be liquid, are not subject to the Funds' 15% limit on investments in illiquid securities. As of March 31, 2009, there were no Rule 144A securities. Illiquid securities have been identified on the statements of net assets.

## 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 each Fund's existing contracts and expects the risk of loss to be remote.

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## 11. Delaware Investments National Municipal Income Fund - Investments in Municipal Securities Issued by the State of Florida

On September 13, 2007, shareholders of Delaware Investments National Municipal Income Fund (formerly Delaware Investments Florida Insured Municipal Income Fund) approved (1) the elimination of the Fund's fundamental investment policy that required the Fund to invest primarily in insured municipal securities issued by the State of Florida and (2) the adoption of a new fundamental investment policy permitting the Fund to invest in un-insured municipal securities issued by states other than Florida. The Fund's portfolio managers began to transition the Fund's portfolio to include un-insured municipal bonds issued by other states and territories on October 15, 2007. As of March 31, 2009, municipal bonds issued by the State of Florida constitute approximately 65% of the Fund's portfolio. These investments could make the Fund more sensitive to economic conditions in Florida than other more geographically diversified national municipal income funds.

## 12. Recent Developments Regarding Bond Insurance Companies

Starting in January 2008, S & P's, Moody's and Fitch began to take negative actions against a number of municipal bond insurers. These actions included actual rating downgrades, assigning negative outlooks, and/or placing the insurer financial strength rating on credit watch for possible downgrade.

Through early November 2008, five (AMBAC, FGIC, CGIC, MBIA and XLCA) of the first tier monoline insurers have been downgraded by one or more of the rating agencies. A real or perceived decline in creditworthiness of a bond insurer can have an adverse impact on the value of insured bonds held in the Funds. Insurer financial strength ratings for the municipal bond insurers may continue to change.

## 13. Tax Information (Unaudited)

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

For the fiscal year ended March 31, 2009, each Fund designates distributions paid during the year as follows:

|                             | (A)          | (B)           |               |
|-----------------------------|--------------|---------------|---------------|
|                             | Tax-Exempt   | Ordinary      | Total         |
|                             | Income       | Income        | Distributions |
|                             | Distribution | Distributions | Distributions |
|                             | (Tax Basis)  | (Tax Basis)   | (Tax Basis)   |
| Arizona Municipal Fund      | 94.19%       | 5.81%         | 100.00%       |
| Colorado Municipal Fund     | 92.02%       | 7.98%         | 100.00%       |
| Minnesota Municipal Fund II | 93.18%       | 6.82%         | 100.00%       |
| National Municipal Fund     | 94.83%       | 5.17%         | 100.00%       |

(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

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

We have audited the accompanying statements of net assets and statements of assets and liabilities of Delaware Investments Arizona Municipal Income Fund, Inc., Delaware Investments Colorado Municipal Income Fund, Inc., Delaware Investments Minnesota Municipal Income Fund II, Inc., and Delaware Investments National Municipal Income Fund (the "Funds") as of March 31, 2009, 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, 2009, by correspondence with the custodian and brokers, or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of each of the respective Funds at March 31, 2009, 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 21, 2009

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## Other Fund information (unaudited)

### Delaware Investments Closed-End Municipal Bond Funds

#### Fund management

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Joseph R. Baxter

Senior Vice President, Head of Municipal Bond Department, Senior Portfolio Manager

Joseph R. Baxter is the head of the municipal bond department and is responsible for setting the 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 in 1999, he held investment positions with First Union, most recently as a municipal portfolio manager with the Evergreen Funds. Baxter received a bachelor's degree in finance and marketing from La Salle University.

Stephen J. Czepiel

Senior Vice President, Senior Portfolio Manager

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

Denise A. Franchetti, CFA

Vice President, Portfolio Manager, Senior Research Analyst

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

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## Other Fund information (unaudited)

### Delaware Investments Closed-End Municipal Bond Funds

#### Proxy Results

At the Annual Meeting on August 20, 2008, the Funds' Shareholders elected nine directors/trustees. The results of the voting at the meeting were as follows:

Delaware Investments Arizona Municipal Income Fund, Inc.

|                     | Common Shareholders |                                 | Preferred Shareholders |                                 |
|---------------------|---------------------|---------------------------------|------------------------|---------------------------------|
|                     | Shares Voted for    | Shares Voted Withheld Authority | Shares Voted for       | Shares Voted Withheld Authority |
| Patrick P. Coyne    | 2,685,998           | 56,928                          |                        |                                 |
| Thomas L. Bennett   | 2,686,698           | 56,228                          |                        |                                 |
| John A. Fry         | 2,685,998           | 56,928                          |                        |                                 |
| Anthony D. Knerr    | 2,684,841           | 58,085                          |                        |                                 |
| Lucinda S. Landreth | 2,686,698           | 56,228                          |                        |                                 |
| Ann R. Leven        | 2,684,141           | 58,785                          |                        |                                 |
| Thomas F. Madison   |                     |                                 | 471                    | 3                               |
| Janet L. Yeomans    |                     |                                 | 471                    | 3                               |
| J. Richard Zecher   | 2,686,091           | 56,835                          |                        |                                 |

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

|                     | Common Shareholders |                                    | Preferred Shareholders |                                    |
|---------------------|---------------------|------------------------------------|------------------------|------------------------------------|
|                     | Shares Voted for    | Shares Voted<br>Withheld Authority | Shares Voted for       | Shares Voted<br>Withheld Authority |
| Patrick P. Coyne    | 4,596,679           | 51,300                             |                        |                                    |
| Thomas L. Bennett   | 4,597,609           | 50,371                             |                        |                                    |
| John A. Fry         | 4,596,259           | 51,721                             |                        |                                    |
| Anthony D. Knerr    | 4,598,842           | 49,137                             |                        |                                    |
| Lucinda S. Landreth | 4,595,009           | 52,971                             |                        |                                    |
| Ann R. Leven        | 4,566,782           | 81,198                             |                        |                                    |
| Thomas F. Madison   |                     |                                    | 610                    | 34                                 |
| Janet L. Yeomans    |                     |                                    | 610                    | 34                                 |
| J. Richard Zecher   | 4,567,487           | 80,493                             |                        |                                    |

### 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    | 9,905,992           | 437,358                            |                        |                                    |
| Thomas L. Bennett   | 9,902,961           | 440,389                            |                        |                                    |
| John A. Fry         | 9,903,486           | 439,864                            |                        |                                    |
| Anthony D. Knerr    | 9,889,235           | 454,115                            |                        |                                    |
| Lucinda S. Landreth | 9,909,817           | 433,534                            |                        |                                    |
| Ann R. Leven        | 9,892,339           | 451,012                            |                        |                                    |
| Thomas F. Madison   |                     |                                    | 1,409                  | 36                                 |
| Janet L. Yeomans    |                     |                                    | 1,409                  | 36                                 |
| J. Richard Zecher   | 9,903,626           | 439,724                            |                        |                                    |

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### Proxy Results (continued)

#### Delaware Investments National Municipal Income Fund

|                     | Common Shareholders |                                    | Preferred Shareholders |                                    |
|---------------------|---------------------|------------------------------------|------------------------|------------------------------------|
|                     | Shares Voted for    | Shares Voted<br>Withheld Authority | Shares Voted for       | Shares Voted<br>Withheld Authority |
| Patrick P. Coyne    | 2,130,964           | 108,107                            |                        |                                    |
| Thomas L. Bennett   | 2,129,737           | 109,334                            |                        |                                    |
| John A. Fry         | 2,130,964           | 108,107                            |                        |                                    |
| Anthony D. Knerr    | 2,131,164           | 107,907                            |                        |                                    |
| Lucinda S. Landreth | 2,130,964           | 108,107                            |                        |                                    |
| Ann R. Leven        | 2,131,164           | 107,907                            |                        |                                    |
| Thomas F. Madison   |                     |                                    | 399                    | 0                                  |
| Janet L. Yeomans    |                     |                                    | 399                    | 0                                  |
| J. Richard Zecher   | 2,129,737           | 109,334                            |                        |                                    |

### Dividend Reinvestment Plan

Each Fund offers an automatic dividend reinvestment program (["Plan"]). Under the current policies of Arizona Municipal Income Fund, Minnesota Municipal Income Fund II, and National Municipal Income Fund all distributions of net investment income and capital gains to common 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 Municipal Income Fund, distributions of net investment income and capital gains to common shareholders will be paid in cash unless shareholders notify BNY Mellon Investor Services, Inc. (["BNY Mellon"]) of their desire to participate in the dividend reinvestment program. Shareholders who hold their shares through a bank, broker or other nominee

should request the bank, broker or nominee to participate in the Plan on their behalf. This can be done as long as the bank, broker or nominee provides a dividend reinvestment service for the Funds. If the bank, broker or nominee does not provide this service, such shareholders must have their shares taken out of [street] or nominee name and re-registered in their own name in order to participate in the Plan.

BNY Mellon will apply all cash dividends, capital gains and other distributions (collectively, [Distributions]) on each Fund's shares of common stock which become payable to each Plan participant to the purchase of outstanding shares of each Fund's common stock for such participant. These purchases may be made on a securities exchange or in the over-the-counter market, and may be subject to such terms of price, delivery and related matters to which BNY Mellon may agree. The Funds will not issue new shares in connection with the Plan.

Distributions reinvested for participants are subject to income taxes just as if they had been paid directly to the shareholder in cash. Participants will receive a year-end statement showing distributions reinvested, and any brokerage commissions paid on such participant's behalf.

Shareholders holding shares of a Fund in their own names who wish to terminate their participation in the Plan may do so by sending written instruction to BNY Mellon so that BNY Mellon receives such instructions at least 10 days prior to the Distribution record date. Shareholders with shares held in account by a bank, broker or other nominee should contact such bank, broker or other nominee to determine the procedure for withdrawal from the Plan.

If written instructions are not received by BNY Mellon at least 10 days prior to the record date for a particular Distribution, that Distribution may be reinvested at the sole discretion of BNY Mellon. After a shareholder's instructions to terminate participation in the Plan become effective, Distributions will be paid to shareholders in cash. Upon termination, a shareholder may elect to receive either stock or cash for all the full shares in the account. If cash is elected, BNY Mellon will sell such shares at the then current market value and then send the net proceeds to the shareholder, after deducting brokerage commissions and related expenses. Any fractional shares at the time of termination will be paid in cash at the current market price, less brokerage commissions and related expenses, if any. Shareholders may at any time request a full or partial withdrawal of shares from the Plan, without terminating participation in the Plan. When shares outside of the Plan are liquidated, Distributions on shares held under the Plan will continue to be reinvested unless BNY Mellon is notified of the shareholder's withdrawal from the Plan.

An investor holding shares that participate in the Plan in a brokerage account may not be able to transfer the shares to another broker and continue to participate in the Plan. Please contact your broker/dealer for additional details.

BNY Mellon will charge participants their proportional share of brokerage commissions on market purchases. Participants may obtain a certificate or certificates for all or part of the full shares credited to their accounts at any time by making a request in writing to BNY Mellon. A fee may be charged to the participant for each certificate issuance.

If you have any questions and shares are registered in [street] name, contact the broker/dealer holding the shares or your financial advisor. If you have any questions and shares are registered in your name, contact BNY Mellon at 800 851-9677.

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## Board of trustees/directors and officers addendum

### Delaware Investments® Family of Funds

A mutual fund is governed by a Board of Trustees/Directors ([Trustees]), which has oversight responsibility for the management of a fund's business affairs. 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 Trustees, in particular, are advocates for shareholder interests. Each Trustee has served in that capacity since he or she was elected to or appointed to the Board of Trustees, and will continue to serve until his or her retirement or the election of a new Trustee in his or her place. The following is a list of the Trustees 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 Trustee<br>or Officer | Other<br>Director<br>Held I<br>Trustee or |
|-------------------------------------|----------------------------------|--------------------------|--|---|---|
|-------------------------------------|----------------------------------|--------------------------|--|---|---|

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**Interested Trustees**

|  |   |   |   |    |  |
|--|---|---|---|----|--|
| Patrick P. Coyne <sup>1</sup><br>2005 Market Street<br>Philadelphia, PA<br>19103<br><br>April 1963 | Chairman,<br>President,<br>Chief Executive<br>Officer, and<br>Trustee | Chairman and Trustee<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 | Directo<br>Kaydon C<br><br>Board of Go<br>Member <input type="checkbox"/> In<br>Company Inst<br>(2007 <input type="checkbox"/> Pr<br><br>Member of In<br>Committee<br>of Liberty Cou<br>(Novem<br>2007 <input type="checkbox"/> Pr<br><br>Finance Cor<br>Member <input type="checkbox"/><br>Vianney R<br>Catholic C<br>(2007 <input type="checkbox"/> Pr |
|--|---|---|---|----|--|

**Independent Trustees**

|  |         |                     |   |    |   |
|--|---------|---------------------|---|----|---|
| Thomas L. Bennett<br>2005 Market Street<br>Philadelphia, PA<br>19103<br><br>October 1947 | Trustee | Since<br>March 2005 | Private Investor <input type="checkbox"/><br>(March 2004 <input type="checkbox"/> Present)<br><br>Investment Manager <input type="checkbox"/><br>Morgan Stanley & Co.<br>(January 1984 <input type="checkbox"/> March 2004) | 83 | Directo<br>Bryn Ma<br>Bank Corp.<br>(April 2007 <input type="checkbox"/><br><br>Chairma<br>Investment C<br><input type="checkbox"/> Pennsy<br>Academy of I<br>(2007 <input type="checkbox"/> Pr<br>Trustee (2004<br><br>Investment C<br>and Gover<br>Committee I<br><input type="checkbox"/> Pennsy<br>Horticultura<br>(Febru<br>2006 <input type="checkbox"/> Pr |
|--|---------|---------------------|---|----|---|

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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 Trustee<br>or Officer |
|---|----------------------------------|--------------------------|---|---|
| <b>Independent Trustees (continued)</b><br>John A. Fry<br>2005 Market Street<br>Philadelphia, PA<br>19103<br><br>May 1960 | Trustee                          | Since<br>January 2001    | President <input type="checkbox"/><br>Franklin & Marshall College<br>(June 2002 <input type="checkbox"/> Present)<br><br>Executive Vice President <input type="checkbox"/><br>University of Pennsylvania<br>(April 1995 <input type="checkbox"/> June 2002) | 83  |
| Anthony D. Knerr<br>2005 Market Street<br>Philadelphia, PA<br>19103   | Trustee                          | Since<br>April 1990      | Founder and Managing Director <input type="checkbox"/><br>Anthony Knerr & Associates<br>(Strategic Consulting)<br>(1990 <input type="checkbox"/> Present)   | 83  |

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|   |         |                                |  |    |
|---|---------|--------------------------------|--|----|
| December 1938<br>Lucinda S. Landreth<br>2005 Market Street<br>Philadelphia, PA<br>19103 | Trustee | Since<br>March 2005            | Chief Investment Officer □<br>Assurant, Inc.<br>(Insurance)<br>(2002□2004)   | 83 |
| June 1947<br>Ann R. Leven<br>2005 Market Street<br>Philadelphia, PA<br>19103            | Trustee | Since<br>October 1989          | Consultant □<br>ARL Associates<br>(Financial Planning)<br>(1983□Present)   | 83 |
| November 1940<br>Thomas F. Madison<br>2005 Market Street<br>Philadelphia, PA<br>19103   | Trustee | Since<br>May 1997 <sup>3</sup> | President and Chief<br>Executive Officer □<br>MLM Partners, Inc.<br>(Small Business Investing<br>and Consulting)<br>(January 1993□Present) | 83 |
| February 1936   |         |                                |  |    |

|   |         |                     |   |    |
|---|---------|---------------------|---|----|
| Janet L. Yeomans<br>2005 Market Street<br>Philadelphia, PA<br>19103 | Trustee | Since<br>April 1999 | Vice President and Treasurer<br>(January 2006□Present)<br>Vice President □ Mergers & Acquisitions<br>(January 2003□January 2006), and<br>Vice President<br>(July 1995□January 2003)<br>3M Corporation | 83 |
| July 1948   |         |                     |   |    |

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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 Trustee<br>or Officer | Other<br>Directorsh<br>Held by<br>Trustee or O |
|--|----------------------------------|--------------------------|--|---|--|
| <b>Independent Trustees (continued)</b><br>J. Richard Zecher | Trustee                          | Since                    | Founder □                                      | 83  | Director and A                                 |

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|   |   |  |   |    |                               |
|---|---|--|---|----|-------------------------------|
| 2005 Market Street<br>Philadelphia, PA<br>19103                                       |   | March 2005   | Investor Analytics<br>(Risk Management)<br>(May 1999-Present)   |    | Committee Me<br>Investor Anal |
| July 1940   |   |  | Founder of<br>Sutton Asset Management<br>(Hedge Fund)<br>(September 1996-Present)   |    |                               |
| <b>Officers</b>   |   |  |   |    |                               |
| David F. Connor<br>2005 Market Street<br>Philadelphia, PA<br>19103                    | Vice President,<br>Deputy General<br>Counsel, and Secretary                 | Vice President since<br>September 2000<br>and Secretary<br>since<br>October 2005               | David F. Connor has served as<br>Vice President and Deputy<br>General Counsel of<br>Delaware Investments<br>since 2000.     | 83 | None <sup>4</sup>             |
| December 1963<br>Daniel V. Geatens<br>2005 Market Street<br>Philadelphia, PA<br>19103 | Vice President<br>and Treasurer   | Treasurer<br>since<br>October 25, 2007   | Daniel V. Geatens has served<br>in various capacities at<br>different times at<br>Delaware Investments.                     | 83 | None <sup>4</sup>             |
| October 1972<br>David P. O'Connor<br>2005 Market Street<br>Philadelphia, PA<br>19103  | 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<br>various executive and legal<br>capacities at different times<br>at Delaware Investments. | 83 | None <sup>4</sup>             |
| February 1966<br>Richard Salus<br>2005 Market Street<br>Philadelphia, PA<br>19103     | Senior<br>Vice President<br>and<br>Chief Financial<br>Officer               | Chief Financial<br>Officer since<br>November 2006  | Richard Salus has served in<br>various executive capacities<br>at different times at<br>Delaware Investments.               | 83 | None <sup>4</sup>             |
| October 1963  |   |  |   |    |                               |

<sup>1</sup> Patrick P. Coyne is considered to be an "Interested Trustee" 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, principal underwriter, and its transfer agent.

<sup>3</sup> In 1997, several funds managed by Voyageur Fund Managers, Inc. (the "Voyageur Funds") were incorporated into the Delaware Investments Family of Funds. Mr. Madison served as a director of the Voyageur Funds from 1993 until 1997.

<sup>4</sup> David F. Connor, Daniel V. Geatens, David P. O'Connor, and Richard Salus serve in similar capacities for the six portfolios of the Optimum Fund Trust, which have the same investment advisor, principal underwriter, and transfer agent as the registrant. The Statement of Additional Information for the Fund(s) includes additional information about the Trustees and Officers and is available, without charge, upon request by calling 800 523-1918.

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## About the organization

This annual report is for the information of Delaware Investments Closed-End Municipal Bond Funds shareholders. Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Funds may, from time-to-time, purchase shares of their common stock on the open market at market prices.

### Board of directors/trustees

**Patrick P. Coyne**  
Chairman, President,  
and Chief Executive Officer

### Affiliated officers

**David F. Connor**  
Vice President, Deputy General Counsel,  
and Secretary

### Contact information

**Investment manager**  
Delaware Management Company  
a series of Delaware Management

Delaware Investments<sup>®</sup> Family of Funds  
Philadelphia, PA

Delaware Investments Family of Funds  
Philadelphia, PA

Business Trust  
Philadelphia, PA

**Thomas L. Bennett**

Private Investor  
Rosemont, PA

**Daniel V. Geatens**

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

**Principal office of the Funds**

2005 Market Street  
Philadelphia, PA 19103-7057

**John A. Fry**

President  
Franklin & Marshall College  
Lancaster, PA

**David P. O'Connor**

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

**Independent registered public  
accounting firm**

Ernst & Young LLP  
2001 Market Street  
Philadelphia, PA 19103

**Anthony D. Knerr**

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

**Richard Salus**

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

**Registrar and stock transfer  
agent**

BNY Mellon Shareowner Services  
480 Washington Blvd.  
Jersey City, NJ 07310  
800 851-9677

**Lucinda S. Landreth**

Former Chief Investment Officer  
Assurant, Inc.  
Philadelphia, PA

**Ann R. Leven**

Consultant  
ARL Associates  
New York, NY

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 Forms 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 are available without charge (i) upon request, by calling 800 523-1918; and (ii) on the Commission's Web site at <http://www.sec.gov>. In addition, a description of the policies and procedures that the Fund uses to determine how to vote proxies (if any) relating to portfolio securities and each Fund's Schedule of Investments are available without charge on the Fund's Web site at <http://www.delawareinvestments.com>. Each Fund's Forms N-Q may be reviewed and copied at the Commission's Public Reference Room in Washington, D.C.; information on the operation of the Public Reference Room may be obtained by calling 800 SEC-0330.

**For securities dealers  
and financial institutions  
representatives**

800 362-7500

**Web site**

[www.delawareinvestments.com](http://www.delawareinvestments.com)

**Thomas F. Madison**

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

*Delaware Investments is the managing name of Delaware Management Holdings, Inc. and its subsidiaries.*

**Janet L. Yeomans**

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

**Number of recordholders as of**

March 31, 2009:

**J. Richard Zecher**

Founder  
Investor Analytics  
Scottsdale, AZ

Arizona Municipal Income Fund  
Colorado Municipal  
Income Fund  
Minnesota Municipal Income  
Fund II

National Municipal Income Fund

**Your reinvestment options**

Each of the Funds offers an automatic dividend reinvestment program. If you would like to reinvest dividends, and shares are registered in your name, contact Mellon Investor Services, LLC at 800 851-9677. You will be asked to put your request in writing. If you have shares registered in "street" name, contact the broker/dealer holding the shares of your financial advisor.

Information (if any) regarding how each Fund voted proxies relating to portfolio securities during the most recently disclosed 12-month period ended June 30 is available without charge (i) through each Fund's Web site at <http://www.delawareinvestments.com>; and (ii) on the Commission's Web site at <http://www.sec.gov>.

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**Item 2. Code of Ethics**

The registrant has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party. A copy of the registrant's Code of Business Ethics has been posted on the Delaware Investments Internet Web site at [www.delawareinvestments.com](http://www.delawareinvestments.com). Any amendments to the Code of Business Ethics, and information on any waiver from its provisions granted by the registrant, will also be posted on this Web site within five business days of such amendment or waiver and will remain on the Web site for at least 12 months.

**Item 3. Audit Committee Financial Expert**

The registrant's Board of Trustees/Directors has determined that each member of the registrant's Audit Committee is an audit committee financial expert, as defined below. For purposes of this item, an "audit committee financial expert" is a person who has the following attributes:

- a. An understanding of generally accepted accounting principles and financial statements;
- b. The ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves;
- c. Experience preparing, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements, or experience actively supervising one or more persons engaged in such activities;
- d. An understanding of internal controls and procedures for financial reporting; and
- e. An understanding of audit committee functions.

An "audit committee financial expert" shall have acquired such attributes through:

- a. Education and experience as a principal financial officer, principal accounting officer, controller, public accountant, or auditor or experience in one or more positions that involve the performance of similar functions;
- b. Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor, or person performing similar functions;
- c. Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing, or evaluation of financial statements; or
- d. Other relevant experience.

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The registrant's Board of Trustees/Directors has also determined that each member of the registrant's Audit Committee is independent. In order to be "independent" for purposes of this item, the Audit Committee member may not: (i) other than in his or her capacity as a member of the Board of Trustees/Directors or any committee thereof, accept directly or indirectly any consulting, advisory or other compensatory fee from the issuer; or (ii) be an "interested person" of the registrant as defined in Section 2(a)(19) of the Investment Company Act of 1940.

The names of the audit committee financial experts on the registrant's Audit Committee are set forth below:



Thomas L. Bennett <sup>1</sup>  
John A. Fry  
Thomas F. Madison  
J. Richard Zecher

Item 4. Principal Accountant Fees and Services

(a) Audit fees.

The aggregate fees billed for services provided to the registrant by its independent auditors for the audit of the registrant's annual financial statements and for services normally provided by the independent auditors in connection with statutory and regulatory filings or engagements were \$11,800 for the fiscal year ended March 31, 2009.

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<sup>1</sup> The instructions to Form N-CSR require disclosure on the relevant experience of persons who qualify as audit committee financial experts based on "other relevant experience." The Board of Trustees/Directors has determined that Mr. Bennett qualifies as an audit committee financial expert by virtue of his education, Chartered Financial Analyst designation, and his experience as a credit analyst, portfolio manager and the manager of other credit analysts and portfolio managers.

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The aggregate fees billed for services provided to the registrant by its independent auditors for the audit of the registrant's annual financial statements and for services normally provided by the independent auditors in connection with statutory and regulatory filings or engagements were \$11,600 for the fiscal year ended March 31, 2008.

(b) Audit-related fees.

The aggregate fees billed by the registrant's independent auditors for services relating to the performance of the audit of the registrant's financial statements and not reported under paragraph (a) of this Item were \$0 for the fiscal year ended March 31, 2009.

The aggregate fees billed by the registrant's independent auditors for services relating to the performance of the audit of the financial statements of the registrant's investment adviser and other service providers under common control with the adviser and that relate directly to the operations or financial reporting of the registrant were \$0 for the registrant's fiscal year ended March 31, 2009.

The aggregate fees billed by the registrant's independent auditors for services relating to the performance of the audit of the registrant's financial statements and not reported under paragraph (a) of this Item were \$6,868 for the fiscal year ended March 31, 2008. The percentage of these fees relating to services approved by the registrant's Audit Committee pursuant to the de minimis exception from the pre-approval requirement in Rule 2-01(c)(7)(i)(C) of Regulation S-X was 0%. These audit-related services were as follows: issuance of report concerning transfer agent's system of internal accounting control pursuant to Rule 17Ad-13 of the Securities Exchange Act.

The aggregate fees billed by the registrant's independent auditors for services relating to the performance of the audit of the financial statements of the registrant's investment adviser and other service providers under common control with the adviser and that relate directly to the operations or financial reporting of the registrant were \$0 for the registrant's fiscal year ended March 31, 2008.

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(c) Tax fees.

The aggregate fees billed by the registrant's independent auditors for tax-related services provided to the registrant were \$2,650 for the fiscal year ended March 31, 2009. The percentage of these fees relating to services approved by the registrant's Audit Committee pursuant to the de minimis exception from the

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pre-approval requirement in Rule 2-01(c)(7)(i)(C) of Regulation S-X was 0%. These tax-related services were as follows: review of income tax returns and review of annual excise distribution calculations, and tax compliance services related to investments in foreign securities.

The aggregate fees billed by the registrant's independent auditors for tax-related services provided to the registrant's investment adviser and other service providers under common control with the adviser and that relate directly to the operations or financial reporting of the registrant were \$0 for the registrant's fiscal year ended March 31, 2009.

The aggregate fees billed by the registrant's independent auditors for tax-related services provided to the registrant were \$2,750 for the fiscal year ended March 31, 2008. The percentage of these fees relating to services approved by the registrant's Audit Committee pursuant to the de minimis exception from the pre-approval requirement in Rule 2-01(c)(7)(i)(C) of Regulation S-X was 0%. These tax-related services were as follows: review of income tax returns and review of annual excise distribution calculations, and tax compliance services related to investments in foreign securities.

The aggregate fees billed by the registrant's independent auditors for tax-related services provided to the registrant's adviser and other service providers under common control with the adviser and that relate directly to the operations or financial reporting of the registrant were \$0 for the registrant's fiscal year ended March 31, 2008.

(d) All other fees.

The aggregate fees billed for all services provided by the independent auditors to the registrant other than those set forth in paragraphs (a), (b) and (c) of this Item were \$0 for the fiscal year ended March 31, 2009.

The aggregate fees billed for all services other than those set forth in paragraphs (b) and (c) of this Item provided by the registrant's independent auditors to the registrant's adviser and other service providers under common control with the adviser and that relate directly to the operations or financial reporting of the registrant were \$0 for the registrant's fiscal year ended March 31, 2009.

The aggregate fees billed for all services provided by the independent auditors to the registrant other than those set forth in paragraphs (a), (b) and (c) of this Item were \$0 for the fiscal year ended March 31, 2008.

The aggregate fees billed for all services other than those set forth in paragraphs (b) and (c) of this Item provided by the registrant's independent auditors to the registrant's adviser and other service providers under common control with the adviser and that relate directly to the operations or financial reporting of the registrant were \$0 for the registrant's fiscal year ended March 31, 2008.

(e) The registrant's Audit Committee has established pre-approval policies and procedures as permitted by Rule 2-01(c)(7)(i)(B) of Regulation S-X (the "Pre-Approval Policy") with respect to services provided by the registrant's independent auditors. Pursuant to the Pre-Approval Policy, the Audit Committee has pre-approved the services set forth in the table below with respect to the registrant up to the specified fee limits. Certain fee limits are based on aggregate fees to the registrant and other registrants within the Delaware Investments® Family of Funds.

| Service   | Range of Fees           |
|---|-------------------------|
| <b>Audit Services</b>   |                         |
| Statutory audits or financial audits for new Funds  | up to \$25,000 per Fund |
| Services associated with SEC registration statements (e.g., Form N-1A, Form N-14, etc.), periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings (e.g., comfort letters for closed-end Fund offerings, consents), and assistance in responding to SEC comment letters | up to \$10,000 per Fund |

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Consultations by Fund management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard-setting bodies (Note: Under SEC rules, some consultations may be considered audit-related services rather than audit services ) up to \$25,000 in the aggregate

### **Audit-Related Services**

Consultations by Fund management as to the accounting or disclosure treatment of transactions or events and /or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard-setting bodies (Note: Under SEC rules, some consultations may be considered audit services rather than audit-related services ) up to \$25,000 in the aggregate

### **Tax Services**

U.S. federal, state and local and international tax planning and advice (e.g., consulting on statutory, regulatory or administrative developments, evaluation of Funds tax compliance function, etc.) up to \$25,000 in the aggregate

U.S. federal, state and local tax compliance (e.g., excise distribution reviews, etc.) up to \$5,000 per Fund

Review of federal, state, local and international income, franchise and other tax returns up to \$5,000 per Fund

Under the Pre-Approval Policy, the Audit Committee has also pre-approved the services set forth in the table below with respect to the registrant's investment adviser and other entities controlling, controlled by or under common control with the investment adviser that provide ongoing services to the registrant (the Control Affiliates) up to the specified fee limit. This fee limit is based on aggregate fees to the investment adviser and its Control Affiliates.

| Service  | Range of Fees                   |
|--|---------------------------------|
| <b>Non-Audit Services</b>  |                                 |
| Services associated with periodic reports and other documents filed with the SEC and assistance in responding to SEC comment letters | up to \$10,000 in the aggregate |

The Pre-Approval Policy requires the registrant's independent auditors to report to the Audit Committee at each of its regular meetings regarding all services initiated since the last such report was rendered, including those services authorized by the Pre-Approval Policy.

(f) Not applicable.

(g) The aggregate non-audit fees billed by the registrant's independent auditors for services rendered to the registrant and to its investment adviser and other service providers under common control with the adviser were \$254,652 and \$263,980 for the registrant's fiscal years ended March 31, 2009 and March 31, 2008, respectively.

(h) In connection with its selection of the independent auditors, the registrant's Audit Committee has considered the independent auditors' provision of non-audit services to the registrant's investment adviser and other service providers under common control with the adviser that were not required to be pre-approved pursuant to Rule 2-01(c)(7)(ii) of Regulation S-X. The Audit Committee has determined that the independent auditors' provision of these services is compatible with maintaining the auditors' independence.

### Item 5. Audit Committee of Listed Registrants

The registrant has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the registrant's Audit Committee are Thomas L. Bennett, John A. Fry, Thomas F. Madison and J. Richard Zecher.

### Item 6. Investments

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(a) Included as part of report to shareholders filed under Item 1 of this Form N-CSR.

(b) Divestment of securities in accordance with Section 13(c) of the Investment Company Act of 1940.

Not applicable.

### Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies

The registrant has formally delegated to its investment adviser(s) (the "Adviser") the ability to make all proxy voting decisions in relation to portfolio securities held by the registrant. If and when proxies need to be voted on behalf of the registrant, the Adviser will vote such proxies pursuant to its Proxy Voting Policies and Procedures (the "Procedures"). The Adviser has established a Proxy Voting Committee (the "Committee") which is responsible for overseeing the Adviser's proxy voting process for the registrant. One of the main responsibilities of the Committee is to review and approve the Procedures to ensure that the Procedures are designed to allow the Adviser to vote proxies in a manner consistent with the goal of voting in the best interests of the registrant.

In order to facilitate the actual process of voting proxies, the Adviser has contracted with Institutional Shareholder Services ("ISS") to analyze proxy statements on behalf of the registrant and other Adviser clients and vote proxies generally in accordance with the Procedures. The Committee is responsible for overseeing ISS's proxy voting activities. If a proxy has been voted for the registrant, ISS will create a record of the vote. By no later than August 31 of each year, information (if any) regarding how the registrant voted proxies relating to portfolio securities during the most recently disclosed 12-month period ended June 30 is available without charge (i) through the registrant's website at <http://www.delawareinvestments.com>; and (ii) on the Commission's website at <http://www.sec.gov>.

The Procedures contain a general guideline that recommendations of company management on an issue (particularly routine issues) should be given a fair amount of weight in determining how proxy issues should be voted. However, the Adviser will normally vote against management's position when it runs counter to its specific Proxy Voting Guidelines (the "Guidelines"), and the Adviser will also vote against management's recommendation when it believes that such position is not in the best interests of the registrant.

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As stated above, the Procedures also list specific Guidelines on how to vote proxies on behalf of the registrant. Some examples of the Guidelines are as follows: (i) generally vote for shareholder proposals asking that a majority or more of directors be independent; (ii) generally vote against proposals to require a supermajority shareholder vote; (iii) votes on mergers and acquisitions should be considered on a case-by-case basis, determining whether the transaction enhances shareholder value; (iv) generally vote against proposals to create a new class of common stock with superior voting rights; (v) generally vote re-incorporation proposals on a case-by-case basis; (vi) votes with respect to equity-based compensation plans are generally determined on a case-by-case basis; and (vii) generally vote for proposals requesting reports on the level of greenhouse gas emissions from a company's operations and products.

Because the registrant has delegated proxy voting to the Adviser, the registrant is not expected to encounter any conflict of interest issues regarding proxy voting and therefore does not have procedures regarding this matter. However, the Adviser does have a section in its Procedures that addresses the possibility of conflicts of interest. Most proxies which the Adviser receives on behalf of the registrant are voted by ISS in accordance with the Procedures. Because almost all registrant proxies are voted by ISS pursuant to the pre-determined Procedures, it normally will not be necessary for the Adviser to make an actual determination of how to vote a particular proxy, thereby largely eliminating conflicts of interest for the Adviser during the proxy voting process. In the very limited instances where the Adviser is considering voting a proxy contrary to ISS's recommendation, the Committee will first assess the issue to see if there is any possible conflict of interest involving the Adviser or affiliated persons of the Adviser. If a member of the Committee has actual knowledge of a conflict of interest, the Committee will normally use another independent third party to do additional research on the particular proxy issue in order to make a recommendation to the Committee on how to vote the proxy in the best interests of the registrant. The Committee will then review the proxy voting materials and recommendation provided by ISS and the independent third party to determine how to vote the issue in a manner which the Committee believes is consistent with the Procedures and in the best interests of the registrant.

### Item 8. Portfolio Managers of Closed-End Management Investment Companies

**DELAWARE INVESTMENTS COLORADO MUNICIPAL INCOME FUND, INC.  
PORTFOLIO MANAGERS**

**Other Accounts Managed**

The following chart lists certain information about types of other accounts for which the portfolio managers are primarily responsible as of March 31, 2009. Any accounts managed in a personal capacity appear under "Other Accounts" along with the other accounts managed on a professional basis. The personal account information is current as of the most recent calendar quarter end for which account statements are available.

|                                  | <u>No. of<br/>Accounts</u> | <u>Total Assets<br/>in Accounts</u> | <u>No. of Accounts with<br/>Performance-Based<br/>Fees</u> | <u>Total Assets<br/>in Accounts with<br/>Performance-<br/>Based<br/>Fee</u> |
|----------------------------------|----------------------------|-------------------------------------|--|---|
| <b>Joseph R. Baxter</b>          |                            |                                     |  |   |
| Registered Investment Companies  | 20                         | \$3.8 billion                       | 0  | \$0   |
| Other pooled Investment Vehicles | 0                          | \$0                                 | 0  | \$0   |
| Other Accounts                   | 24                         | \$788.7 million                     | 0  | \$0   |
| <b>Stephen J. Czepiel</b>        |                            |                                     |  |   |
| Registered Investment Companies  | 20                         | \$3.8 billion                       | 0  | \$0   |
| Other pooled Investment Vehicles | 0                          | \$0                                 | 0  | \$0   |
| Other Accounts                   | 22                         | \$788.7 million                     | 0  | \$0   |
| <b>Denise Franchetti</b>         |                            |                                     |  |   |
| Registered Investment Companies  | 5                          | \$287.5 million                     | 0  | \$0   |
| Other pooled Investment Vehicles | 0                          | \$0                                 | 0  | \$0   |
| Other Accounts                   | 2                          | \$0                                 | 0  | \$0   |

**DESCRIPTION OF MATERIAL CONFLICTS OF INTEREST**

Individual portfolio managers may perform investment management services for other funds or accounts similar to those provided to the Funds and the investment action for such other fund or account and the Funds may differ. For example, an account or fund may be selling a security, while another account or Fund may be purchasing or holding the same security. As a result, transactions executed for one fund or account may adversely affect the value of securities held by another fund, account or Fund. Additionally, the management of multiple other funds or accounts and the Funds may give rise to potential conflicts of interest, as a portfolio manager must allocate time and effort to multiple funds or accounts and the Funds. A portfolio manager may discover an investment opportunity that may be suitable for more than one account or fund. The investment opportunity may be limited, however, so that all funds or accounts for which the investment would be suitable may not be able to participate. The Manager has adopted procedures designed to allocate investments fairly across multiple funds or accounts.

A portfolio manager's management of personal accounts also may present certain conflicts of interest. While Delaware's code of ethics is designed to address these potential conflicts, there is no guarantee that it will do so.

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## Compensation Structure

Each portfolio's manager's compensation consists of the following:

**Base Salary** - Each named portfolio manager receives a fixed base salary. Salaries are determined by a comparison to industry data prepared by third parties to ensure that portfolio manager salaries are in line with salaries paid at peer investment advisory firms.

**Bonus** - Due to transitioning of responsibilities of our fixed income managers over the past year, some of the managers' bonuses may have been guaranteed for the past year. It is anticipated that going forward an objective component will be added to the bonus for each manager that is reflective of account performance relative to an appropriate peer group or database. The following paragraph describes the structure of the non-guaranteed bonus.

Each portfolio manager is eligible to receive an annual cash bonus, which is based on quantitative and qualitative factors. There is one pool for bonus payments for the fixed income department. The amount of the pool for bonus payments is determined by assets managed (including investment companies, insurance product-related accounts and other separate accounts), management fees and related expenses (including fund waiver expenses) for registered investment companies, pooled vehicles, and managed separate accounts. Generally, 60%-75% of the bonus is quantitatively determined. For more senior portfolio managers, a higher percentage of the bonus is quantitatively determined. For investment companies, each manager is compensated according to the Fund's Lipper or Morningstar peer group percentile ranking on a one-year, three-year, and five-year basis, with longer-term performance more heavily weighted. For managed separate accounts the portfolio managers are compensated according to the composite percentile ranking against the Frank Russell and Callan Associates databases (or similar sources of relative performance data) on a one-year, three-year, and five-year basis, with longer term performance more heavily weighted. There is no objective award for a fund that falls below the 50<sup>th</sup> percentile, but incentives reach maximum potential at the 25<sup>th</sup>-30<sup>th</sup> percentile. There is a sliding scale for investment companies that are ranked above the 50<sup>th</sup> percentile. The remaining 25%-40% portion of the bonus is discretionary as determined by Delaware Investments and takes into account subjective factors.

For new and recently transitioned portfolio managers, the compensation may be weighted more heavily towards a portfolio manager's actual contribution and ability to influence performance, rather than longer-term performance. Management intends to move the compensation structure towards longer-term performance for these portfolio managers over time.

**Deferred Compensation** - Each named portfolio manager is eligible to participate in the Lincoln National Corporation Executive Deferred Compensation & Supplemental/Excess Retirement Plan, which is available to all employees whose base salaries or established compensation exceed a designated threshold. The Plan is a non-qualified unfunded deferred compensation plan that permits participating employees to defer the receipt of a portion of their cash compensation.

**Stock Option Incentive Plan/Equity Compensation Plan** - Portfolio managers may be awarded options, stock appreciation rights, restricted stock awards and restricted stock units (collectively, "Awards") relating to the underlying shares of common stock of Delaware Investments U.S., Inc. pursuant to the terms of the Amended and Restated Delaware Investments U.S., Inc. Incentive Compensation Plan.

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The Amended and Restated Delaware Investments U.S., Inc. Incentive Compensation Plan was established in 2001 in order to: attract, retain and reward key employees of the company; enable such employees to acquire or increase an equity interest in the company in order to align the interest of such employees and the company; and provide such employees with incentives to expend their maximum efforts. Subject to the terms of the plan and applicable award agreements, Awards typically vest in 25% increments on a four-year schedule, and shares of common stock underlying the Awards are issued after vesting. Awards are granted under the plan from time to time by the company. Awards may be based in part on seniority. The fair market value of the shares of Delaware Investments U.S., Inc., is normally determined as of each March 31, June 30, September 30 and December 31. The fair market value of shares of common stock underlying Awards granted on or after December 26, 2008 is

determined by an independent appraiser utilizing an appraisal valuation methodology in compliance with Section 409A of the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder. The fair market value of shares of common stock underlying Awards granted prior to December 26, 2008 is determined by an independent appraiser utilizing a formula based valuation methodology. Shares issued typically must be held for six months and one day, after which time the stockholder may put them back to the company and the shares may be called back from the stockholder by the company from time to time, as the case may be.

**Other Compensation** - Portfolio managers may also participate in benefit plans and programs available generally to all employees.

Ownership of Securities

As of March 31, 2009, the portfolio managers of the Fund did not own any shares of the Fund.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers

Not applicable.

Item 10. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 11. Controls and Procedures

The registrant's principal executive officer and principal financial officer have evaluated the registrant's disclosure controls and procedures within 90 days of the filing of this report and have concluded that they are effective in providing reasonable assurance that the information required to be disclosed by the registrant in its reports or statements filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

There were no significant changes in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by the report to stockholders included herein (i.e., the registrant's fourth fiscal quarter) that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

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Item 12. Exhibits

(a) (1) Code of Ethics

Not applicable.

(2)

Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Rule 30a-2 under the Investment Company Act of 1940 are attached hereto as Exhibit 99.CERT.

(3)

Written solicitations to purchase securities pursuant to Rule 23c-1 under the Securities Exchange Act of 1934.

Not applicable.

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 are furnished herewith as Exhibit 99.906CERT.

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**SIGNATURES**

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Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf, by the undersigned, thereunto duly authorized.

**Name of Registrant:** Delaware Investments Colorado Municipal Income Fund, Inc.

PATRICK P. COYNE

By: Patrick P. Coyne

Title: Chief Executive Officer

Date: May 29, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

PATRICK P. COYNE

By: Patrick P. Coyne

Title: Chief Executive Officer

Date: May 29, 2009

RICHARD SALUS

By: Richard Salus

Title: Chief Financial Officer

Date: May 29, 2009

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