

Delaware Investments National Municipal Income Fund
Form N-Q
February 25, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF
REGISTERED MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number: 811-07410

Exact name of registrant as specified in charter: Delaware Investments[®] National Municipal Income Fund

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: December 31, 2008

Item 1. Schedule of Investments.

Schedule of Investments (Unaudited)

Delaware Investments National Municipal Income Fund

December 31, 2008

	Principal Amount	
Municipal Bonds ☐ 93.37%		
<i>Corporate-Backed Revenue Bonds</i> ☐ <i>6.08%</i>		
•Brazos, Texas Harbor Industrial Development Environmental Facilities Revenue (Dow Chemical Project) 5.90% 5/1/38 (AMT)	\$ 250,000	
•Chesapeake, Virginia Economic Development Authority Pollution Control Revenue (Virginia Electric & Power Project) Series A 3.60% 2/1/32	500,000	
Iowa Finance Authority Pollution Control Facilities Revenue Refunding (Interstate Power) 5.00% 7/1/14 (FGIC)	500,000	
Jasper County, Indiana Pollution Control Revenue Refunding Series B 5.60% 11/1/16 (MBIA)	265,000	
Tobacco Settlement Revenue Management Authority, South Carolina Refunding 5.00% 6/1/18	295,000	
Education Revenue Bonds ☐ 2.83%		
California Statewide Communities Development Authority Student Housing Revenue (Irvine, LLC - UCI East Campus) 6.00% 5/15/23	470,000	

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-Q

Marietta, Georgia Development Authority Revenue Refunding (Life University Income Project) 7.00% 6/15/39	230,000
Maryland State Economic Development Student Housing Revenue (University of Maryland College Park Projects) 5.75% 6/1/33	370,000

Electric Revenue Bond □ 3.41%

JEA Florida Electric Systems Revenue Series 3-A 5.00% 10/1/34 (FSA)	1,000,000
---	-----------

Health Care Revenue Bonds □ 17.55%

Albany, New York Industrial Development Agency Civic Facility Revenue (St. Peter's Hospital Project) Series A 5.25% 11/15/32	500,000
Arizona Health Facilities Authority Revenue (Banner Health) Series A 5.00% 1/1/17	310,000
Escambia County, Florida Health Facilities Authority (VHA Loan Program) 5.95% 7/1/20 (AMBAC)	355,000
Lee Memorial Health System Board of Directors Florida Revenue Refunding Series A 5.00% 4/1/20 (FSA)	1,000,000
•Maryland State Health & Higher Education Facilities Authority Revenue (John Hopkins Health Systems) 5.00% 5/15/48	115,000
Massachusetts State Health & Education Facilities Authority Revenue (Caregroup) Refunding Series E-2 5.375% 7/1/19	500,000
Orange County, Florida Health Facilities Authority Revenue (Orlando Regional Healthcare) Series A 6.25% 10/1/18 (MBIA)	2,000,000
Scottsdale, Arizona Industrial Development Authority Hospital Revenue Refunding (Scottsdale Healthcare) Series A 5.00% 9/1/23	360,000

Housing Revenue Bonds □ 14.59%

California Housing Finance Agency Revenue (Home Mortgage) Series M 5.95% 8/1/25 (AMT)	250,000
Florida Housing Finance Agency (Homeowner Mortgage) Series 2 5.90% 7/1/29 (MBIA) (AMT)	310,000
(Leigh Meadows Apartments) Series N 6.30% 9/1/36 (AMBAC) (AMT) (HUD Section 8)	2,510,000
Volusia County, Florida Multifamily Housing Finance Authority (San Marco Apartments) Series A 5.60% 1/1/44 (FSA) (AMT)	1,500,000

Lease Revenue Bonds □ 6.85%

Florida State Municipal Loan Council Revenue Series A 5.00% 2/1/35 (MBIA)	865,000
Orange County, Florida School Board Certificates of Participation Series A 5.00% 8/1/27 (MBIA)	1,250,000

Local General Obligation Bond □ 0.93%

New York City, New York Fiscal 2009 Sub-Series A-1 5.25% 8/15/21	250,000
--	---------

Special Tax Revenue Bonds □ 15.31%

Jacksonville, Florida Sales Tax Revenue (Better Jacksonville) 5.00% 10/1/30 (MBIA)	1,300,000
--	-----------

Jacksonville, Florida Transportation Revenue 5.25% 10/1/29 (MBIA)	1,000,000
ΩMiami-Dade County, Florida Special Obligation (Capital Appreciation & Income) Series B 5.00% 10/1/35 (MBIA)	2,000,000
New York State Toll Way Authority (State Personal Income Tax Revenue-Transportation) Series A 5.00% 3/15/22	425,000

State General Obligation Bonds □ 5.92%

Puerto Rico Commonwealth Refunding (Public Improvement) Series A 5.00% 7/1/16 (Assured Gty)	250,000
5.50% 7/1/19 (MBIA)	1,250,000
Virginia State Commonwealth Refunding Series B 5.00% 6/1/20	250,000

Transportation Revenue Bonds □ 9.19%

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-Q

Florida Ports Financing Commission Revenue (State Transportation Trust Fund) 5.375% 6/1/27 (MBIA) (AMT)	1,000,000
Miami-Dade County, Florida Aviation Revenue (Miami International Airport) Series B 5.00% 10/1/37 (MBIA)	1,000,000
North Texas Tollway Authority Revenue (First Tier) Refunding Series A 6.00% 1/1/19	500,000
•Triborough, New York Bridge & Tunnel Authority Revenue Series B-3 5.00% 11/15/38	350,000

Water & Sewer Revenue Bonds □ 10.71%

Cape Coral, Florida Water & Sewer Revenue 4.75% 10/1/31 (AMBAC)	800,000
Riviera Beach, Florida Utility Special District Water & Sewer Revenue 5.00% 10/1/34 (MBIA)	1,200,000
Winter Haven, Florida Utilities Systems Revenue 5.00% 10/1/30 (MBIA)	1,000,000
Village Center Community Development District, Florida Utility Revenue 5.00% 10/1/36 (MBIA)	560,000

Total Municipal Bonds (cost \$29,325,424)

•Short-Term Investment □ 1.83%

Variable Rate Demand Note □ 1.83%

Allegheny County, Pennsylvania Industrial Development Authority Revenue (United Jewish Federation)	
Series B 1.08% 10/1/25 (LOC □ PNC Bank N.A.)	500,000

Total Short-Term Investment (cost \$500,000)

Total Value of Securities □ 95.20%

(cost \$29,825,424)

Receivables and Other Assets Net of Liabilities (See Notes) □ 4.80%

Net Assets Applicable to 2,422,200 Shares Outstanding □ 100.00%

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

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

Summary of Abbreviations:

AMBAC □ Insured by the AMBAC Assurance Corporation
 AMT □ Subject to Alternative Minimum Tax
 Assured Gty □ Insured by 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

Notes

1. Significant Accounting Policies

The following accounting policies are in accordance with U.S. generally accepted accounting principles and are consistently followed by Delaware Investments National Municipal Income Fund (Fund).

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 the Fund's Board of Trustees (Board). In determining whether market quotations are readily available or fair valuation will be used, various factors will be taken into consideration, such as market closures, or suspension of trading in a security. The Fund may use fair value pricing more frequently for securities traded primarily in non-U.S. markets because, among other things, most foreign markets close well before the Fund values its securities at 4:00 p.m. Eastern Time. The earlier close of these foreign markets gives rise to the possibility that significant events, including broad market moves, government actions or pronouncements, aftermarket trading or news events, may have occurred in the interim. To account for this, the Fund may frequently value foreign securities using fair value prices based on third-party vendor modeling tools (international fair value pricing).

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-Q

Federal Income Taxes □ The Fund intends to continue to qualify for federal income tax purposes as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, and make the requisite distributions to shareholders. The Fund evaluates tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. The Fund 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.

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

2. Investments

At December 31, 2008, the cost of investments for federal income tax purposes has been estimated since the final tax characteristics cannot be determined until fiscal year end. At December 31, 2008, the cost of investments and unrealized appreciation (depreciation) for the Fund were as follows:

Cost of investments	\$ 29,825,424
Aggregate unrealized appreciation	10,612
Aggregate unrealized depreciation	(3,811,147)
Net unrealized depreciation	\$ (3,800,535)

For federal income tax purposes, at March 31, 2008, capital loss carryforwards of \$18,596 may be carried forward and applied against future capital gains. Such capital loss carryforwards expire in 2016.

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

Level 1 - inputs are quoted prices in active markets

Level 2 - inputs are observable, directly or indirectly

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

The following table summarizes the valuation of the Fund's investments by the above FAS 157 fair value hierarchy levels as of December 31, 2008:

	Securities
Level 1	\$ -
Level 2	26,024,889
Level 3	-
Total	<u>\$ 26,024,889</u>

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-Q

There were no Level 1 or Level 3 securities at the beginning or end of the period.

3. Credit and Market Risk

The Fund concentrates its investments in securities issued by municipalities. As of December 31, 2008, municipal bonds issued by the state of Florida constitute approximately 66% 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. The value of these investments may be adversely affected by new legislation within the states, regional or local economic conditions, and differing levels of supply and demand for municipal bonds. Many municipalities insure repayment for their obligations. Although bond insurance reduces the risk of loss due to default by an issuer, such bonds remain subject to the risk that value may fluctuate for other reasons and there is no assurance that the insurance company will meet its obligations. A real or perceived decline in creditworthiness of a bond insurer can have an adverse impact on the value of insured bonds held in the Fund. At December 31, 2008, 74.17% of the Fund's net assets were insured by bond insurers. These securities have been identified in the schedule of investments.

The Fund may invest in 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 their lien on the pledged revenues or other security under the terms of the bond contract are substituted with an alternative source of revenues (the escrow securities) sufficient to meet payments of principal and interest to maturity or to the first call dates. Escrowed secured bonds will often receive a rating of AAA from Moody's Investors Service, Inc., Standard & Poor's Ratings Group, and/or Fitch Ratings due to the strong credit quality of the escrow securities and the irrevocable nature of the escrow deposit agreement.

The Fund may invest up to 15% of its net assets in illiquid securities, which may include securities with contractual restrictions on resale, securities exempt from registration under Rule 144A of the Securities Act of 1933, as amended, and other securities which may not be readily marketable. The relative illiquidity of these securities may impair the Fund from disposing of them in a timely manner and at a fair price when it is necessary or desirable to do so. While maintaining oversight, the Fund's Board has delegated to Delaware Management Company, a series of Delaware Management Business Trust, the day-to-day functions of determining whether individual securities are liquid for purposes of the Fund's limitation on investments in illiquid assets. Securities eligible for resale pursuant to Rule 144A, which are determined to be liquid, are not subject to the Fund's 15% limit on investments in illiquid securities. As of December 31, 2008, there were no Rule 144A securities and no securities have been determined to be illiquid under the Fund's Liquidity Procedures.

Item 2. 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 registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

File as exhibits as part of this Form a separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2(a)), exactly as set forth below:
