DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC
Form N-CSR
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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: 811-07938

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

Address of principal executive offices:

2005 Market Street
Philadelphia, PA 19103

Name and address of agent for service:

Richelle S. Maestro, 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, 2005

Item 1. Report to Stockholders

CLOSED END

Delaware
Investments(R)
A member of Lincoln Financial Group

ANNUAL REPORT MARCH 31, 2005

DELAWARE INVESTMENTS CLOSED-END
MUNICIPAL BOND FUNDS

[LOGO]POWERED BY RESEARCH.(SM)

TABLE
OF CONTENTS

PORTFOLIO MANAGEMENT REVIEW	1
PERFORMANCE SUMMARY	8
SECTOR ALLOCATION	10
FINANCIAL STATEMENTS:	
Statements of Net Assets	13
Statements of Operations	27
Statements of Changes in Net Assets	29
Financial Highlights	31
Notes to Financial Statements	37
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	42
BOARD OF TRUSTEES/DIRECTORS AND OFFICERS	43

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

Under the current policies of Arizona Municipal Income Fund, Florida Insured Municipal Income Fund, Minnesota Municipal Income Fund I, and Minnesota Municipal Income Fund II, all distributions of net investment income and capital gains to common stock shareholders are automatically reinvested in additional shares unless shareholders elect to receive all dividends and other distributions in cash paid by check mailed directly to shareholders by the dividend plan agent. Under the current policies of Colorado Insured Municipal

Income Fund and Minnesota Municipal Income Fund III, distributions of net investment income and capital gains to common shareholders will be paid in cash unless shareholders notify Mellon Investor Services, L.L.C. of their desire to participate in the dividend reinvestment program.

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

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

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

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

PORTFOLIO MANAGEMENT REVIEW

DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS
March 31, 2005

FUND MANAGERS

Andrew M. McCullagh
Senior Portfolio Manager
Arizona Municipal Income Fund,
Colorado Insured Municipal Income Fund

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Portfolio Manager
Minnesota Municipal Income Funds I, II, III,
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Joseph Baxter
Portfolio Manager
Arizona Municipal Income Fund,
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Florida Insured Municipal Income Fund

Robert Collins
Portfolio Manager
Arizona Municipal Income Fund,
Colorado Insured Municipal Income Fund,
Minnesota Municipal Income Funds I, II, III,
Florida Insured Municipal Income Fund

Q: PLEASE DESCRIBE THE OVERALL CONDITIONS IN THE MUNICIPAL BOND MARKETS DURING THE FISCAL YEAR.
A: During the fiscal year, the Federal Reserve embarked upon a tightening

program to gradually eliminate the accommodative stance that has been in place since 2002-03. Just prior to the start of the fiscal year, the market was anticipating a higher federal funds rate, and rates across the yield curve moved up. For example, the 10-year Treasury Note had yields increase by over 100 basis points (a basis point equals 1/100th of a percent) from 3.68% on March 16, 2004 to a high of 4.87% on June 14, 2004. As bond yields and bond prices are inversely related, this was a particularly difficult period for bondholders.

However, the municipal bond market dug in its heels and rallied over the next several months, even while the Federal Reserve started its tightening program. The June 30 hike in the fed funds rate from 1.00% to 1.25% was the first of several moves during the fiscal year, with additional 25-basis point increases coming in August, September, November, December, February and March. At the end of the fiscal year, the rate was 2.75%.

A market rally in the face of a Federal Reserve tightening is unusual. Recent tightenings have resulted in the bond markets making an initial move to higher rates, similar to what we witnessed in the second quarter of 2004, followed by a period of consolidation before resuming a march to even higher rates. This time the rally started in June, before the first move by the Fed, and lasted over four months, until the end of October. During this period, yields on the 10-year Treasury Note decreased to 3.97%, nearly erasing all the market decline from earlier in the fiscal year.

Since the end of September, the market has been range-bound with relatively narrow market moves. One of the economic releases providing support to the market against the tightening backdrop has been the monthly employment report. It was higher-than-anticipated non-farm payroll data that spooked the market in April, May and June, and several very weak releases that sparked the rally in the months following. Slightly-below trend releases of late have kept the market range-bound.

Late in the fiscal year, persistent declines in the weekly jobless claims reports, along with higher commodity prices, contributed to market weakness and, as of March 31, 2005, yields in the bond markets were rising and threatening to break out of their recent range on the high side.

In the long maturities, tax-exempt bonds outperformed taxable bonds early in the fiscal year, but since May, have steadily traded weaker against Treasury bonds, as the yield ratio between the 30-year maturities moved from 92.3% in mid-May to 96.9% at the period's end. One of the factors leading to the underperformance of long bonds in the municipal market was the lack of retail demand. Often, a 5% yield for long, high-grade tax-exempt bonds is viewed as an on/off switch for retail investors. When yields fall below 5%, we believe investors are much less interested in buying. Since May, the yields have declined from just above 5% to close the fiscal year at about 4.60%.

Finally, just as it did in fiscal year 2004, credit performed well as spreads continued to compress. For intermediate and long-term tax-exempt bonds, the yield offered to "buy" credit, as defined by the spreads between AAA and BBB-rated securities, narrowed by nearly 25 basis points. This narrowing spread helped A and BBB-rated sectors outperform the higher rated AA and AAA rated sectors during the year. Over the last five years, there is very little difference between the returns in the various rating categories, as the period three and four years ago was difficult for states and municipalities (recall all the fiscal stress and budget shortfalls), which caused their credit spreads to widen.

MINNESOTA MUNICIPAL INCOME FUNDS I, II, AND III

Q: WHAT CONDITIONS PREVAILED IN THE MINNESOTA DEBT MARKET?

A: Consistent with activity the previous year, the Minnesota tax-exempt debt market mirrored the national markets. Yields on long-term, high-grade Minnesota bonds were virtually unchanged in the fiscal year, only moving three basis points from 4.57% on March 31, 2004 to 4.60% on March 31, 2005 (source: Municipal Marketing Data [Thompson]). During the 12 months ending March 31, 2005, the Minnesota portion of the Lehman Municipal Bond Index generated a 2.36% total return, 31 basis points below the 2.67% total return of the overall index. Fully half of that difference is due to the influence of California bonds on the overall index. Since a state fiscal crisis in 2003, California bonds have come off their depressed levels, tightened to the general market and posted significantly higher returns. Over the last 12 months, the Lehman Municipal Bond Index, excluding California, would have returned 2.51%.

The supply of new issues decreased nationally during 2004, while new issuance in Minnesota held steady. Nationally, the supply was down 6.6%, but still represented the third most active year in history, exceeded only by 2003 and 2002. During the same time period, Minnesota experienced a modest 2% increase over 2003's new issuance. Some of the decline in issuance nationally was erased in the first quarter of 2005, when the total volume of new issues set a record in the first quarter, with more than $96 billion brought to market. In Minnesota, issuance was up by over 38% from the volume in the first quarter of last year.

Minnesota's fiscal condition improved during the year, with revenues increasing by over 5.1% in fiscal 2004. Employment expanded at a 1.4% clip over the last year, with manufacturing bucking the national downward trend and growing at an even better 2.2% pace. Unemployment at fiscal year end stood at 4.2%, below the national rate of 5.4%. Expectations of a budget shortfall continue to ratchet down as the Legislature is in the midst of its biennial budget process. As part of that process, the governor has proposed cutbacks in the eligibility for Medicare, attempting to rein in the spending within the health and human services area from its current 18% growth rate.

Recognizing the strong performance by the state, Standard & Poor's upgraded Minnesota's school enhancement program bonds from AA+ to AAA, impacting about $1.5 billion of school district bond issues, in the third quarter of 2004. A positive change in statutory requirements for debt service reserves resulted in Moody's upgrading general obligation ratings of numerous Minnesota cities and counties. During calendar year 2004, the rating agencies upgrade-to-downgrade ratio for Minnesota was over 20 to 1, with many of the upgrades for general obligation bonds issued by counties, cities, and school districts.

Q: AGAINST THIS BACKDROP, HOW DID THE FUNDS PERFORM?
A: For the fiscal year ended March 31, 2005, the Delaware Investments Minnesota Municipal Income Funds I, II, & III returned 2.87%, 4.03%, and 3.03%* (all returns reflect shares at net asset value with distributions reinvested), respectively, while the Lipper Minnesota Municipal Debt Funds universe average returned 3.62%, and the Lehman Brothers Municipal Bond Index returned 2.67% during the same period. The Funds' dividends from net investment income during the past 12 months were exempt from federal income and Minnesota State personal income taxes.

Q: WHAT STRATEGIES AFFECTED FUND PERFORMANCE?
A: The Funds hold a fair amount of seasoned, higher coupon bonds that trade based on their short call dates (the date at which the issuer may call the bond at par from investors). As portfolio managers, we must decide whether to sell these bonds early, forfeit the higher coupon, and realize a capital gain in order to seek better price performance. We did not believe the low-interest-rate environment and the commencing of the Fed tightening cycle was the proper time to sell early, and therefore, opted to allow our positions to roll down the yield curve. By rolling down the yield curve, we allowed them to be called or mature. This afforded us the opportunity to collect high coupon income as long

as possible, while minimizing realized capital gains in the portfolios. However, these shorter bonds did impede price performance when yields declined in the second half of 2004.

Normally, when the Fed begins to raise the fed funds rate, longer-term rates begin to rise in tandem. However, this tightening cycle was unusual in the fact that long-term rates actually declined. Federal Reserve Chairman Alan Greenspan called this phenomenon a "conundrum" in recent testimony to Congress. Therefore, as the bonds did roll off, we chose to invest the proceeds in premium bonds that should act more defensively in a rising-rate environment. That rising-rate environment was slow to develop in 2004, but rates have ended the first quarter higher than calendar year-end.

*Past performance is not a guarantee of future results and a portion of the income from tax-exempt funds may be subject to the alternative minimum tax.

Over the last two years, lower-rated bonds outperformed higher quality bonds. For instance, over the last 12 months, in the Lehman Municipal Bond Index, triple-A rated bonds returned 1.88%, while single-A bonds returned 3.41%, and triple-B bonds returned 8.56%. Within the Minnesota Municipal Income Funds, Fund II had a lower weighting in triple-A rated bonds than its counterparts. Conversely, it had a higher weighting in lower-rated bonds, and thus superior return.

Other key contributors to return in the Funds have been the hospital sector and IDR/PCR sector, which includes corporate bonds. Our funds have always had a strong commitment to the hospital sector, which over the trailing 12 months has had the second highest sector return (+5.44%) in the Lehman index.
We have a smaller commitment to the corporate sector, but do favor certain industrial development projects secured by companies, such as Potlatch and International Paper. These securities have performed well for the funds.

Q: WHAT WAS YOUR STRATEGY IN MANAGING THE MINNESOTA FUNDS?
A: With interest rates at historically low levels throughout the period, we anticipated an eventual rise in rates and continued to position the three portfolios for such a scenario. Specifically, we kept the Funds' durations relatively modest to make the portfolios less vulnerable in the event rates increase (duration is a common measure of a bond or bond fund's sensitivity to interest rate changes. The longer the duration, the more sensitive the bond or bond fund is to changes in interest rates). The Funds' durations did naturally lengthen throughout the past 12 months as bonds matured from the portfolios and we were forced to reinvest the proceeds at lower prevailing yields. This activity was manageable throughout the period, however, and as of March 31, 2005, we believed the Fund was well-positioned for the higher interest rates.

When making new investments, we continued to emphasize public-power revenue bonds, which at period end made up 30.7%, 11.9%, and 21.8% of portfolio assets in Minnesota Municipal Income Funds I, II, and III, respectively. Our focus was on basic utilities, which provide essential services such as electric generation, transmission, and distribution. Unlike their investor-owned counterparts, the regulated utilities we favored provided relatively stable revenue streams. We also liked that most bonds in this area are insured, giving the Funds an extra layer of security. Because there was a healthy supply of public power bonds during the period, we were able to add to our position in this sector.

We also favored the hospital sector during the period. Following a number of credit problems in the late 1990s and early 2000s, most hospitals have had improvements in their financial strength. Despite these improvements, we believe many hospital bonds are still trading at somewhat depressed levels, given the

steady credit improvements made. Through careful research, we have sought to identify attractive value opportunities that we believe can offer higher yields with only a modest amount of additional risk. By contrast, continuing care retirement community (CCRC) bonds represented one area of the market that we de-emphasized. We had concerns about the issuers' ability to meet lofty occupancy-rate targets at these care facilities for seniors.

ARIZONA MUNICIPAL INCOME FUND

Q: WHAT CONDITIONS PREVAILED IN THE ARIZONA DEBT MARKET?
A: While the Arizona tax-exempt debt markets mirrored the national markets, certain aspects of the municipal market within Arizona resulted in the state's municipal bond market underperforming national averages. During the 12 months ending March 31, 2005, the Arizona portion of the Lehman Brothers Municipal Bond Index generated a 1.97% total return, 70 basis points below the 2.67% total return of the overall Lehman index. Nationally, most bond issues come to market with long-term bonds (typically due in 25 and 30 years) as part of the issue structure. Within Arizona, a large percentage of the issuance comes with maximum maturities of 20 years. As a result, the average maturity of the Arizona portion of the index is approximately 1.5 years less than the overall index.

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These short maturities in Arizona are important to note because the best performing maturities within the tax-exempt market over the last 12 months have been long bonds. As mentioned, the overall index had a total return of 2.67% during the period. That compares with the Lehman Brothers Long Bond Index (bonds over 22 years to maturity) return of 5.46% during the same time period. It is easy to see why Arizona lagged behind the national market in such an environment.

During the calendar year 2004, supply of new issues decreased nationally, but was higher in Arizona. Nationally, the supply was down 6.6%, but still represented the third most active year in history, exceeded only by 2003 and 2002. Arizona's new issuance rose by 15% for the year. These roles reversed in the first quarter of 2005, with national supply setting a record and Arizona experiencing a particularly dry period. The total volume of new issues set a record for issuance in the first quarter, with more than $96 billion brought to market. In Arizona, the issuance was down by over 40% from last year's levels.

Arizona's fiscal condition improved during the year, with revenues increasing by more than 10% in fiscal 2004 and accelerated to 14% growth in the first quarter of fiscal year 2005. Growth was driven by both the strong economic environment and tax increases. Employment continues to expand at a rapid pace within the state, with unemployment falling over the last 12 months from 5.3% to 4.4%. One of the strongest areas of expansion is construction, with employment growth surging 8.8% over the fiscal year. Overall, this growth has enabled the state to generate a healthy balance in its general fund of 4% at the end of fiscal 2004.

The growth is not limited to the state. Pima County had its general obligation rating raised by Standard & Poor's from A+ to AA- in the second quarter of 2004. The rating agency noted the expansion of the county's tax base as a driver of the higher rating.

Q: AGAINST THIS BACKDROP, HOW DID THE FUND PERFORM?
A: For the fiscal year ended March 31, 2005, the Delaware Investments Arizona Municipal Income Fund returned 3.34%* (shares at net asset value with distributions reinvested), underperforming the Lipper Other States Municipal Debt Funds Average of 3.73%, but outperforming the Lehman Brothers Municipal

Bond Index return of 2.67% during the same period. The Fund's dividends from net income during the past 12 months were exempt from federal income and Arizona State personal income taxes.

Q: WHAT STRATEGIES AFFECTED FUND PERFORMANCE?
A: The Fund underperformed its Lipper peer group for two primary reasons - calls of high coupon housing bonds and a heavy weighting in pre-refunded bonds. As the portfolio has seasoned, several of its positions in housing bonds, both multi- and single-family structures, were getting into the range where calls (the issuer redeeming the bonds at 100 or a slight premium prior to final maturity) were beginning to make economic sense for the issuer. In this most recent fiscal year, many of these issues were called. Our exposure to the housing sectors decreased during the year from 7.09% at the beginning to 5.8% as of March 31, 2005. The combined housing bond sectors generated a below-average return of about 1.30% during the year. While this is low, it is important to recognize the defensive nature of these bonds, with little price performance opportunities, up or down.

Another factor affecting fund performance has been an overweighting in pre-refunded bonds. Pre-refunded bonds are seasoned, higher coupon bonds that trade to short calls. While they produce above-average income, their short duration impedes price performance. As portfolio managers, we must decide whether to sell these bonds early, forfeit the higher coupon, and realize a capital gain in order to seek better price performance. We did not believe the low interest rate environment and the commencing of the Fed tightening cycle was the proper time to execute this strategy. Normally, when the Fed begins to raise the fed funds rate, longer-term rates begin to rise in tandem. However, this tightening cycle was unusual in the fact that long-term rates actually declined. Federal Reserve Chairman Alan Greenspan called this a "conundrum" in recent testimony to Congress.

One of the strategies that paid off during the year was an investment in mid- and low-investment-grade bonds (A- and BBB-rated). Lower grade bonds have performed well, and we have invested approximately 5.9% of the assets in low-investment-grade issues, which generated a 5.56% total return over the last 12 months. It is important to note that the Fund has no exposure to below-investment-grade issues.

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In addition, we reinvested maturity and called bond proceeds in some longer-term securities, which happened to be our best performers in the 12-month trailing period. However, that did not represent a large enough portion of the portfolio to have a significant impact on the Fund's return. Since Greenspan's testimony, longer rates have now begun to rise.

FLORIDA INSURED MUNICIPAL INCOME FUND

Q: WHAT CONDITIONS PREVAILED IN THE FLORIDA DEBT MARKET?
A: Consistent with activity the previous year, the Florida tax-exempt debt markets mirrored the national markets. Yields on long-term high-grade Florida bonds were virtually unchanged in the fiscal year, only moving one basis point from a 4.65% on March 31, 2004 to 4.64% on March 31, 2005 (source: Municipal Marketing Data [Thompson]). During the 12 months ending March 31, 2005, the Florida portion of the Lehman Brothers Municipal Bond Index slightly outperformed the overall index.

The supply of new issues decreased both nationally and in the state during calendar year 2004. Nationally, the supply was down 6.6%, but still represented

the third most active year in history, exceeded only by 2003 and 2002. Florida's new issuance was down dramatically, falling by nearly 40% for the year. Some of the decline, nationally and specifically within Florida, was erased in the first quarter of 2005. In fact, the total volume of new issues set a record for issuance in the first quarter with more than $96 billion brought to market. In Florida, issuance was up by more than 67% from the depressed levels of last year.

Florida's fiscal condition improved during the year, with revenues increasing 9.1% in fiscal 2004 and accelerated with 12.7% growth the first quarter of fiscal 2005. Employment continues to expand at a rapid pace within the state. It rose while the rest of the nation lost jobs. As a result, unemployment was down to 4.5% in February 2005. This has enabled state finances to remain strong and the state benefited by generating the highest general fund balance of any state, standing at $5.0 billion.

This strong performance by the state was recognized by the ratings agencies, and both Moody's and Standard & Poor's rewarded Florida by upgrading its general obligation bonds (to Aa1 and AAA, respectively) in the first quarter of 2005.

In his fiscal 2005-06 budget proposal, the governor has included a two-year phase out of the state's Intangibles Tax. This tax was reduced in 1999 with an intention of phasing it out, but the budget squeeze in the early 2000's forced the state to keep the tax as an important revenue source. Elimination of the state's intangibles tax would cost Florida approximately $300 million per year in lost revenues. We are closely monitoring the situation.

Q: AGAINST THIS BACKDROP, HOW DID THE FUND PERFORM?
A: For the fiscal year ended March 31, 2005, the Delaware Investments Florida Insured Municipal Income Fund returned 1.59%* (shares at net asset value with distributions reinvested), underperforming both the Lipper Florida Municipal Debt Funds Universe average of 3.72% and the Lehman Brothers Municipal Bond Index return of 2.67% during the same period. The Fund's dividends from net investment income during the past 12 months were exempt from federal income and Florida tangible personal property taxes.

Q: WHAT STRATEGIES AFFECTED FUND PERFORMANCE?
A: The Fund underperformed its Lipper peer group and the Lehman Index primarily due to the nature of the Fund being largely a triple-A insured fund. Over the last two years, triple-A bonds have underperformed lower-rated securities. For instance, over this 12-month period, in the Lehman Brothers Municipal Bond Index, triple-A rated bonds returned 1.88%, while single-A bonds returned 3.41%, and triple-B bonds returned 8.56%. Although we cannot change the insured mandate of the Fund, we can state that we have found, over time, that these discrepancies revert to the mean. For instance, over a five-year cumulative period, the triple-A sector return for the Lehman Brothers Municipal Bond Index was 34%, while the single-A sector return was 32%, and the triple-B sector was 39%.

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Another factor affecting performance of the Fund has been an overweighting in pre-refunded bonds. Pre-refunded bonds are seasoned, higher coupon bonds that trade to short calls. While they produce above average income, their short duration impedes price performance. As portfolio managers, we must decide whether to sell these bonds early, forfeit the higher coupon, and realize a capital gain in order to seek better price performance. We did not believe the low-interest-rate environment and the commencing of the Fed tightening cycle was the proper time to execute this strategy. Normally, when the Fed begins to raise

the fed funds rate, longer-term rates begin to rise in tandem. However, this tightening cycle was unusual in that long-term rates actually declined. Federal Reserve Chairman Alan Greenspan called this phenomenon a "conundrum" in recent testimony to Congress.

We did, however, reinvest maturity and called bond proceeds in some longer-term securities, which happened to be our best performers in the 12-month trailing period. However, this did not represent a large enough portion of the portfolio to have a significant impact on the Fund's return. Since Greenspan's testimony, longer rates have now begun to rise.

COLORADO INSURED MUNICIPAL INCOME FUND

Q: WHAT CONDITIONS PREVAILED IN THE COLORADO DEBT MARKET?
A: After underperforming the general market substantially in the previous fiscal year, the Colorado municipal market generated total returns that were close to market levels. During the 12 months ending March 31, 2005, the Colorado portion of the Lehman Index generated a 2.37% total return, 30 basis points below the 2.67% total return of the overall Lehman Brothers Municipal Bond Index. Fully half of that difference is due to the influence of California bonds in the overall index. Since its fiscal crisis in 2003, California bonds have come off their depressed levels, tightened to the general market, and posted significantly higher returns. In fact, over the last 12 months, the Lehman index, excluding California, would have returned 2.51%.

During calendar year 2004, supply of new issues decreased nationally, but was higher in Colorado. Nationally, the supply was down 6.6%, but still represented the third most active year in history, exceeded only by 2003 and 2002. Colorado's new issuance rose by 22% for the year. These roles reversed in first quarter 2005, with national supply setting a record and Colorado experiencing a particularly dry period. The total volume of new issues set a record for issuance in the first quarter, with more than $96 billion brought to market. In Colorado, the issuance was down by more than 20% from last year's levels.

Colorado is rebounding from the severe economic downturn it experienced at the beginning of the decade due to the decline in telecommunications and technology. State revenues increased 5.1% in fiscal 2004 after declining 5.1% in fiscal 2003. Revenue growth accelerated into this fiscal year, increasing 6.5% in the first quarter of fiscal 2005. The state is starting to rebuild its general fund balance, with a fiscal 2004-ending balance equaling about 3.9% of expenditures. Unemployment has declined over the last year from 5.8% to 4.9%. The bond market will be closely monitoring the budgeting process as the Governor has proposed an $850 million tobacco settlement bond issue, part of the proceeds to go to operating income and part to help create a "rainy day" fund.

Growth is not limited to state government. While there were not any significant ratings changes within Colorado during the fiscal year, Moody's upgraded the general obligation ratings of several school districts' bonds. In most of these upgrades, the ratings agency noted the expansion of the tax base as one of the drivers of the higher ratings.

Q: AGAINST THIS BACKDROP, HOW DID THE FUND PERFORM?
A: For the fiscal year ended March 31, 2005, the Delaware Investments Colorado Insured Municipal Income Fund returned 2.56%* (shares at net asset value with distributions reinvested), underperforming the Lipper Other States Municipal Debt Funds Universe average of 3.73% and the Lehman Brothers Municipal Bond Index return of 2.67% during this period. The Fund's dividends from net investment income during the past 12 months were exempt from federal income and Colorado State personal income taxes.

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Q: WHAT STRATEGIES AFFECTED FUND PERFORMANCE?
A: The Fund underperformed its Lipper peer group primarily due to the nature of the Fund being largely a triple-A insured fund. Over the last two years, triple-A bonds have underperformed lower-rated securities. For instance, over this 12-month period, in the Lehman Brothers Municipal Bond Index, triple-A rated bonds returned 1.88%, while single-A bonds returned 3.41%, and triple-B bonds returned 8.56%. Although we cannot change the insured mandate of the Fund, we can state that we have found, over time, that these discrepancies revert to the mean. For instance, over a cumulative five-year period, the triple-A sector return for the Lehman Brothers Municipal Bond Index was 34%, while the single-A sector return was 32%, and the triple-B sector 39%.

Another factor affecting performance has been an overweighting in bonds with medium durations. Due to the seasoning of the portfolio, many bonds that were originally purchased with 10-year call protection are now being priced based on shorter calls that are now in the three- to seven-year range. The three- and five-year portions of the Lehman index only returned 0.09% and 0.26% over the period, the worst of any maturities. Longer bonds, with more than 22 years to maturity, were the best-performing sector, with a 5.46% total return over the fiscal year.

Seasoned bonds generally are higher coupon bonds that were purchased in a higher yield environment. While they produce above-average income, their short duration can impede price performance. As portfolio managers, we must decide whether to sell these bonds early, forfeit the higher coupon, and realize a capital gain in order to seek better price performance. We did not believe the low interest rate environment and the commencing of the Fed tightening cycle was the proper time to execute this strategy. Normally, when the Fed begins to raise the fed funds rate, longer-term rates begin to rise in tandem. However, this tightening cycle was unusual in that long-term rates actually declined. Federal Reserve Chairman Alan Greenspan even called this a "conundrum" in recent testimony to Congress.

We did, however, reinvest maturity and called bond proceeds in some longer-term securities, which happened to be among our best performers in the 12-month trailing period. However, that did not represent a large enough portion of the portfolio to have a significant impact on the Fund's return. Since Greenspan's testimony, longer rates have now begun to rise. Currently, we are maintaining a modestly defensive position, holding a duration (a measure of the portfolio's sensitivity to interest rate changes) of 4.8 years, below that of both its Lipper peer group (5.5 year average) and the Lehman Brothers Municipal Bond Index (5.45 years).

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PERFORMANCE SUMMARY
DELAWARE INVESTMENTS
MINNESOTA MUNICIPAL
INCOME FUNDS I, II, III

FUND BASICS
As of March 31, 2005

FUND OBJECTIVE:

The Funds seek to provide current income exempt from both regular federal income

tax and Minnesota personal income tax, consistent with preservation of capital.

TOTAL FUND NET ASSETS:

Fund I	$37.74 million
Fund II	$107.96 million
Fund III	$25.72 million

NUMBER OF HOLDINGS:

Fund I	58
Fund II	93
Fund III	43

FUND START DATE:

Fund I	May 1, 1992
Fund II	February 26, 1993
Fund III	October 29, 1993

YOUR FUND MANAGERS:

Joseph Baxter is vice president and senior portfolio manager of municipal bond investments. Prior to joining Delaware in 1999, he held investment positions with First Union. Most recently, he served as a municipal portfolio manager for the Evergreen Funds. Mr. Baxter is a graduate of LaSalle University and joined Delaware Investments in 1999.

Robert Collins is vice president and senior portfolio manager of municipal bond development. Prior to joining Delaware Investments, Mr. Collins was a senior vice president and director of portfolio management in the Municipal Investment Group within PNC Advisors. Mr. Collins earned bachelor's degree in economics from Ursinus College. He is a Chartered Financial Analyst and a member of the Financial Analysts of Philadelphia.

Denise Franchetti received bachelor's and MBA degrees from LaSalle University. Prior to joining Delaware Investments in 1997, Ms. Franchetti was a fixed-income trader for Provident Mutual Life Insurance Company. Before that, she worked as an investment analyst for General Accident Insurance Company. Ms. Franchetti, a CFA Charterholder, is a member of the Association for Investment Management and Research and the Financial Analysts of Philadelphia.

DELAWARE INVESTMENTS
ARIZONA MUNICIPAL INCOME FUND

FUND BASICS
As of March 31, 2005

FUND OBJECTIVE:

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

TOTAL FUND NET ASSETS:
$44.94 million

NUMBER OF HOLDINGS:
46

FUND START DATE:
February 26, 1993

YOUR FUND MANAGERS:
Andrew M. McCullagh joined Delaware Investments in 1997, after holding investment management positions at Kirchner, Moore & Co. He holds a bachelor's degree from Washington College and a graduate certificate in public finance from the University of Michigan.

Joseph Baxter
Robert Collins
Denise Franchetti

PERFORMANCE SUMMARY
DELAWARE INVESTMENTS
FLORIDA INSURED MUNICIPAL
INCOME FUND

FUND BASICS
As of March 31, 2005

FUND OBJECTIVE:
The Fund seeks to provide current income exempt from regular federal income tax consistent with preservation of capital. The Fund will also seek to maintain its portfolio so that the Fund's shares will be exempt from the Florida intangible personal property tax.

TOTAL FUND NET ASSETS:

$37.17 million

NUMBER OF HOLDINGS:
35

FUND START DATE:
February 26, 1993

YOUR FUND MANAGERS:
Joseph Baxter
Robert Collins
Denise Franchetti

DELAWARE INVESTMENTS
COLORADO INSURED MUNICIPAL
INCOME FUND

FUND BASICS

As of March 31, 2005

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

TOTAL FUND NET ASSETS:
$75.36 million

NUMBER OF HOLDINGS:
49

FUND START DATE:
July 29, 1993

YOUR FUND MANAGERS:
Andrew M. McCullagh
Joseph Baxter
Robert Collins
Denise Franchetti

SECTOR ALLOCATION As of March 31, 2005

The SEC adopted a requirement that all funds present their categories of portfolio holdings in a table, chart, or graph format in their annual and semiannual shareholder reports, whether or not a schedule of investments is utilized. The following charts list the Fund's categories of portfolio holdings as a percentage of total net assets and is provided in compliance with such requirement.

DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND, INC.

SECTOR	PERCENTAGE OF NET ASSETS
MUNICIPAL BONDS	149.69%
Airport Revenue Bonds	10.34%
City General Obligation Bonds	4.12%
Continuing Care/Retirement Revenue Bonds	2.43%
Corporate-Backed Revenue Bonds	4.15%
Escrowed to Maturity Bonds	13.54%
Higher Education Revenue Bonds	5.74%
Hospital Revenue Bonds	17.42%
Miscellaneous Revenue Bonds	7.19%
Multifamily Housing Revenue Bonds	6.13%
Municipal Lease Revenue Bonds	4.60%
Parking Revenue Bonds	1.83%
Political Subdivision General Obligation Bonds	8.86%
Pre-Refunded Bonds	8.71%
Public Power Revenue Bonds	30.69%
School District General Obligation Bonds	17.08%
Single Family Housing Revenue Bonds	2.26%

State General Obligation Bonds	3.20%
Tax Increment/Special Assessment Bonds	1.40%
SHORT-TERM INVESTMENTS	1.46%
TOTAL MARKET VALUE OF SECURITIES	151.15%
RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES	1.85%
LIQUIDATION VALUE OF PREFERRED STOCK	(53.00%)
TOTAL NET ASSETS	100.00%

DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND II, INC.

SECTOR	PERCENTAGE OF NET ASSETS
MUNICIPAL BONDS	148.99%
Airport Revenue Bonds	9.94%
City General Obligation Bonds	3.84%
Continuing Care/Retirement Revenue Bonds	2.31%
Corporate-Backed Revenue Bonds	5.51%
Escrowed to Maturity Bonds	15.17%
Higher Education Revenue Bonds	10.23%
Hospital Revenue Bonds	23.38%
Miscellaneous Revenue Bonds	3.80%
Multifamily Housing Revenue Bonds	9.35%
Municipal Lease Revenue Bonds	11.20%
Parking Revenue Bonds	1.23%
Political Subdivision General Obligation Bonds	6.66%
Pre-Refunded Bonds	12.94%
Public Power Revenue Bonds	11.93%
School District General Obligation Bonds	12.52%
Single Family Housing Revenue Bonds	2.57%
State General Obligation Bonds	4.36%
Tax Increment/Special Assessment Bonds	0.49%
Territorial General Obligation Bonds	1.07%
Territorial Revenue Bonds	0.49%
SHORT-TERM INVESTMENTS	3.15%
TOTAL MARKET VALUE OF SECURITIES	152.14%
RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES	3.44%
LIQUIDATION VALUE OF PREFERRED STOCK	(55.58%)
TOTAL NET ASSETS	100.00%

SECTOR ALLOCATION
(CONTINUED) As of March 31, 2005

DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III, INC.

SECTOR	PERCENTAGE OF NET ASSETS

MUNICIPAL BONDS	152.50%
Airport Revenue Bonds	9.58%
City General Obligation Bonds	5.04%
Continuing Care/Retirement Revenue Bonds	9.65%
Corporate-Backed Revenue Bonds	7.51%
Escrowed to Maturity Bonds	12.14%
Higher Education Revenue Bonds	5.26%
Hospital Revenue Bonds	21.10%
Miscellaneous Revenue Bonds	1.01%
Multifamily Housing Revenue Bonds	7.67%
Municipal Lease Revenue Bonds	10.12%
Parking Revenue Bonds	6.00%
Political Subdivision General Obligation Bonds	9.65%
Pre-Refunded Bonds	15.17%
Public Power Revenue Bonds	21.83%
School District General Obligation Bonds	4.07%
Single Family Housing Revenue Bonds	2.52%
Territorial General Obligation Bonds	2.02%
Territorial Revenue Bonds	2.16%
SHORT-TERM INVESTMENTS	2.14%
TOTAL MARKET VALUE OF SECURITIES	154.64%
RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES	3.68%
LIQUIDATION VALUE OF PREFERRED STOCK	(58.32%)
TOTAL NET ASSETS	100.00%

DELAWARE INVESTMENTS ARIZONA MUNICIPAL INCOME FUND, INC.

SECTOR	PERCENTAGE OF NET ASSETS
MUNICIPAL BONDS	148.26%
Airport Revenue Bonds	6.89%
City General Obligation Bonds	1.15%
Convention Center/Auditorium/Hotel Revenue Bonds	2.29%
Dedicated Tax & Fees Revenue Bonds	6.88%
Escrowed to Maturity Bonds	10.86%
Higher Education Revenue Bonds	5.88%
Hospital Revenue Bonds	19.21%
Miscellaneous Revenue Bonds	8.24%
Multifamily Housing Revenue Bonds	1.10%
Municipal Lease Revenue Bonds	9.54%
Political Subdivision General Obligation Bonds	3.51%
Pre-Refunded Bonds	18.15%
Public Power Revenue Bonds	3.44%
School District General Obligation Bonds	17.27%
Single Family Housing Revenue Bonds	4.67%
Territorial Revenue Bonds	23.80%
Water & Sewer Revenue Bonds	5.38%
TOTAL MARKET VALUE OF SECURITIES	148.26%
RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES	7.37%

LIQUIDATION VALUE OF PREFERRED STOCK	(55.63%)
TOTAL NET ASSETS	100.00%

SECTOR ALLOCATION
(CONTINUED) As of March 31, 2005

DELAWARE INVESTMENTS FLORIDA INSURED MUNICIPAL INCOME FUND

SECTOR	PERCENTAGE OF NET ASSETS
MUNICIPAL BONDS	151.00%
Airport Revenue Bonds	2.83%
Dedicated Tax & Fees Revenue Bonds	16.89%
Higher Education Revenue Bonds	7.73%
Hospital Revenue Bonds	21.82%
Miscellaneous Revenue Bonds	2.76%
Multifamily Housing Revenue Bonds	23.18%
Municipal Lease Revenue Bonds	9.62%
Ports & Harbors Revenue Bonds	2.76%
Pre-Refunded Bonds	47.12%
Public Power Revenue Bonds	5.47%
Tax Increment/Special Assessment Bonds	0.82%
Water & Sewer Revenue Bonds	10.00%
TOTAL MARKET VALUE OF SECURITIES	151.00%
RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES	2.81%
LIQUIDATION VALUE OF PREFERRED STOCK	(53.81%)
TOTAL NET ASSETS	100.00%

DELAWARE INVESTMENTS COLORADO INSURED MUNICIPAL INCOME FUND, INC.

SECTOR	PERCENTAGE OF NET ASSETS
MUNICIPAL BONDS	150.37%
Airport Revenue Bonds	10.47%
City General Obligation Bonds	2.74%
Continuing Care/Retirement Revenue Bonds	3.56%
Convention Center/Auditorium/Hotel Revenue Bonds	4.08%
Dedicated Tax & Fees Revenue Bonds	11.29%
Higher Education Revenue Bonds	33.23%
Hospital Revenue Bonds	1.95%
Multifamily Housing Revenue Bonds	3.18%
Municipal Lease Revenue Bonds	15.70%
Parking Revenue Bonds	3.54%
Political Subdivision General Obligation Bonds	10.24%
Pre-Refunded Bonds	13.85%
School District General Obligation Bonds	10.24%
Turnpike/Toll Road Revenue Bonds	13.84%
Water & Sewer Revenue Bonds	12.46%

SHORT-TERM INVESTMENTS	0.66%
TOTAL MARKET VALUE OF SECURITIES	151.03%
RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES	2.05%
LIQUIDATION VALUE OF PREFERRED STOCK	(53.08%)
TOTAL NET ASSETS	100.00%

STATEMENTS OF NET ASSETS

DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND, INC.
March 31, 2005

	Principal Amount	Market Value
MUNICIPAL BONDS - 149.69%		
Airport Revenue Bonds - 10.34%		
Minneapolis/St. Paul Metropolitan Airports Commission Revenue Series A		
5.00% 1/1/22 (MBIA)	$1,000,000	$ 1,041,310
5.00% 1/1/30 (AMBAC)	250,000	253,460
Series C 5.25% 1/1/32 (FGIC)	2,500,000	2,609,075
		3,903,845
City General Obligation Bonds - 4.12%		
Metropolitan Council Minnesota (Minneapolis/St. Paul Metropolitan Area)		
Series C 5.00% 2/1/22	500,000	521,950
Willmar (Rice Memorial Hospital Project)		
5.00% 2/1/32 (FSA)	1,000,000	1,032,970
		1,554,920
Continuing Care/Retirement Revenue Bonds - 2.43%		
St. Paul Housing & Redevelopment Authority Revenue (Franciscan Health Project)		
5.40% 11/20/42 (GNMA) (FHA)	880,000	917,426
		917,426
Corporate-Backed Revenue Bonds - 4.15%		
Anoka County Solid Waste Disposal National Rural Co-Op Utility (United Power Association)		
Series A 6.95% 12/1/08 (AMT)	560,000	563,455
Sartell Environmental Improvement Revenue (International Paper)		
Series A 5.20% 6/1/27	1,000,000	1,003,290
		1,566,745
Escrowed to Maturity Bonds - 13.54%		
Dakota/Washington Counties Housing & Redevelopment Authority Bloomington Single		

Family Residential Mortgage Revenue 8.375% 9/1/21 (GNMA) (FHA) (AMT)	2,555,000	3,715,762
Southern Minnesota Municipal Power Agency Series B 5.50% 1/1/15 (AMBAC)	390,000	392,613
5.75% 1/1/11 (FGIC)	1,000,000	999,910
		5,108,285
Higher Education Revenue Bonds - 5.74%		
Minnesota State Higher Education Facilities Authority (College of St. Benedict) Series 5-W 5.00% 3/1/20	1,000,000	1,025,250
University of Minnesota Series A 5.50% 7/1/21	1,000,000	1,139,840
		2,165,090

	Principal Amount	Market Value
MUNICIPAL BONDS (continued)		
Hospital Revenue Bonds - 17.42%		
Bemidji Hospital Facilities Revenue (North County Health Services) 5.00% 9/1/24 (RADIAN)	$1,000,000	$ 1,027,390
Duluth Economic Development Authority Health Care Facilities Revenue (Benedictine Health System - St. Mary's Hospital) 5.25% 2/15/33	1,250,000	1,268,963
Minneapolis Health Care System Revenue (Allina Health Systems) Series A 5.75% 11/15/32	1,100,000	1,164,262
Minnesota Agricultural & Economic Development Health Care System (Fairview Hospital) Series A 6.375% 11/15/29	1,750,000	1,902,740
Shakopee Health Care Facilities Revenue (St. Francis Regional Medical Center) 5.25% 9/1/34	500,000	505,160
St. Paul Housing & Redevelopment Authority Health Care Facilities Revenue (Regions Hospital Project) 5.30% 5/15/28	700,000	703,892
		6,572,407
Miscellaneous Revenue Bonds - 7.19%		
Minneapolis Art Center Facilities Revenue (Walker Art Center Project) 5.125% 7/1/21	1,600,000	1,664,976
Minneapolis Community Development Agency Supported Series G-3 5.45% 12/1/31	1,000,000	1,046,740
		2,711,716
Multifamily Housing Revenue Bonds - 6.13%		
Minneapolis Multifamily Housing Revenue (Seward Towers Project)		

5.00% 5/20/36 (GNMA)	1,000,000	1,009,290
Southeastern Minnesota Multi County Housing & Redevelopment Authority (Winona County)		
5.35% 1/1/28	300,000	301,974
Washington County Housing & Redevelopment Authority Revenue (Woodland Park Apartments Project)		
4.70% 10/1/32	1,000,000	1,001,940
		2,313,204
Municipal Lease Revenue Bonds - 4.60%		
St. Paul Port Authority Lease Revenue (Cedar Street Office Building Project)		
5.125% 12/1/27	500,000	522,445
5.25% 12/1/27	1,150,000	1,211,732
		1,734,177

	Principal Amount	Market Value
MUNICIPAL BONDS (continued)		
Parking Revenue Bonds - 1.83%		
St. Paul Housing & Redevelopment Authority Parking Revenue (Block 19 Ramp Project)		
Series A 5.35% 8/1/29 (FSA)	$ 650,000	$ 691,867
		691,867
Political Subdivision General Obligation Bonds - 8.86%		
Hennepin County Series B		
5.00% 12/1/18	1,300,000	1,375,595
Washington County Housing & Redevelopment Authority Series B		
5.50% 2/1/22 (MBIA)	855,000	909,669
5.50% 2/1/32 (MBIA)	1,000,000	1,058,500
		3,343,764
*Pre-Refunded Bonds - 8.71%		
Puerto Rico Commonwealth		
6.00% 7/1/26-07	1,000,000	1,083,230
Puerto Rico Public Buildings Authority		
Series D 5.25% 7/1/27-12	845,000	916,664
St. Francis Independent School District #15		
Series A 6.30% 2/1/11-06 (FSA)	1,250,000	1,286,888
		3,286,782
Public Power Revenue Bonds - 30.69%		
Chaska Electric Revenue Series A		
6.00% 10/1/25	1,000,000	1,093,430
Minnesota State Municipal Power Agency		
Series A 5.25% 10/1/19	1,110,000	1,183,504

Rochester Electric Utility Revenue		
5.25% 12/1/30 (AMBAC)	150,000	157,992
&Southern Minnesota Municipal		
Power Agency, Inverse Floater ROLs		
Series II-R-189-3 8.096% 1/1/14 (AMBAC)	2,500,000	3,001,874
Southern Minnesota Municipal Power		
Agency Series A		
5.00% 1/1/12 (AMBAC)	1,000,000	1,081,000
5.00% 1/1/13 (MBIA)	500,000	540,445
5.25% 1/1/15 (AMBAC)	570,000	631,150
5.25% 1/1/16 (AMBAC)	1,000,000	1,105,980
Western Minnesota Municipal Power Agency		
Series A 5.00% 1/1/30 (MBIA)	1,900,000	1,964,581
Series B 5.00% 1/1/15 (MBIA)	765,000	827,179
		11,587,135
School District General Obligation Bonds - 17.08%		
Centennial Independent School		
District #012 Series A		
5.00% 2/1/20 (FSA)	400,000	418,404
Farmington Independent School		
District #192 5.00% 2/1/23 (FSA)	1,200,000	1,248,924
Lakeville Independent School		
District #194-A 4.75% 2/1/22 (FSA)	500,000	511,295
Minneapolis Special School		
District #001 5.00% 2/1/19 (FSA)	675,000	713,232
Morris Independent School		
District #769 5.00% 2/1/28 (MBIA)	1,000,000	1,035,650

	Principal Amount	Market Value
MUNICIPAL BONDS (continued)		
School District General Obligation Bonds (continued)		
Mounds View Independent School		
District #621 5.00% 2/1/23 (FSA)	$1,020,000	$ 1,063,901
Robbinsdale Independent School		
District #281 5.00% 2/1/21 (FSA)	500,000	521,165
St. Michael Independent School		
District #885		
5.00% 2/1/22 (FSA)	500,000	519,665
5.00% 2/1/24 (FSA)	400,000	413,056
		6,445,292
Single Family Housing Revenue Bonds - 2.26%		
Dakota County Housing & Redevelopment		
Authority Single Family Mortgage		
Revenue 5.85% 10/1/30		
(GNMA) (FNMA) (AMT)	42,000	42,926
Minnesota State Housing Finance Agency		
Single Family Mortgage Series J		
5.90% 7/1/28 (AMT)	785,000	808,228
		851,154
State General Obligation Bonds - 3.20%		
Minnesota State 5.00% 8/1/21	1,150,000	1,207,857
		1,207,857

Tax Increment/Special Assessment Bonds - 1.40%		
Moorhead Economic Development		
Authority Tax Increment Series A		
5.25% 2/1/25 (MBIA)	500,000	529,535
		529,535
TOTAL MUNICIPAL BONDS (cost $54,591,248)		56,491,201
SHORT-TERM INVESTMENTS - 1.46%		
oVariable Rate Demand Notes - 1.46%		
Midwest Consortium of Municipal Utilities		
Series A 2.28% 1/1/25	250,000	250,000
Minneapolis Library 2.13% 12/1/32	300,000	300,000
TOTAL SHORT-TERM INVESTMENTS		
(cost $550,000)		550,000
TOTAL MARKET VALUE OF SECURITIES - 151.15%		
(cost $55,141,248)		57,041,201
RECEIVABLES AND OTHER ASSETS NET		
OF LIABILITIES- 1.85%		696,393
LIQUIDATION VALUE OF PREFERRED		
STOCK - (53.00%)		(20,000,000)
NET ASSETS APPLICABLE TO 2,594,700 SHARES		
OUTSTANDING - 100.00%		$37,737,594
Net Asset Value Per Common Share		
($37,737,594 / 2,594,700 Shares)		$14.54

STATEMENTS OF NET ASSETS (CONTINUED) — DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND, INC.

COMPONENTS OF NET ASSETS AT MARCH 31, 2005:	
Common Stock, $0.01 par value, 200 million shares	
authorized to the Fund	$35,426,619
Undistributed net investment income	389,101
Accumulated net realized gain on investments	21,921
Net unrealized appreciation of investments	1,899,953
Total net assets	$37,737,594

*Pre-Refunded Bonds are 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 6 in "Notes to Financial Statements."

&An inverse floater bond is a type of bond with variable or floating interest rates that move in the opposite direction of short-term interest rates. Interest rate disclosed is in effect as of March 31, 2005. Illiquid security see Note 6 in "Notes to Financial Statements."

oVariable rate notes. The interest rate shown is the rate as of March 31, 2005.

Summary of Abbreviations:
AMBAC - Insured by the AMBAC Assurance Corporation
AMT - Subject to Alternative Minimum Tax
FGIC - Insured by the Financial Guaranty Insurance Company
FHA - Insured by the Federal Housing Administration
FNMA - Insured by the Federal National Mortgage Association
FSA - Insured by Financial Security Assurance
GNMA - Insured by the Government National Mortgage Association
MBIA - Insured by the Municipal Bond Insurance Association
RADIAN - Insured by Radian Asset Assurance
ROLs - Residual Option Longs

See accompanying notes

STATEMENTS
OF NET ASSETS (CONTINUED)

	Principal Amount	Market Value
MUNICIPAL BONDS - 148.99%		
Airport Revenue Bonds - 9.94%		
Minneapolis/St. Paul Metropolitan Airports Commission Revenue		
Series A 5.00% 1/1/22 (MBIA)	$2,000,000	$ 2,082,620
Series A 5.00% 1/1/28 (MBIA)	1,370,000	1,414,758
Series A 5.00% 1/1/30 (AMBAC)	1,450,000	1,470,068
Series A 5.25% 1/1/16 (MBIA)	1,000,000	1,078,730
Series B 5.25% 1/1/24 (FGIC) (AMT)	1,000,000	1,030,150
Series C 5.25% 1/1/32 (FGIC)	3,500,000	3,652,705
		10,729,031
City General Obligation Bonds - 3.84%		
Metropolitan Council Minnesota (Minneapolis/St. Paul Metropolitan Area) Series C 5.00% 2/1/22	500,000	521,950
Moorhead Series B 5.00% 2/1/33 (MBIA)	2,000,000	2,074,320
Willmar (Rice Memorial Hospital Project) 5.00% 2/1/32 (FSA)	1,500,000	1,549,455
		4,145,725
Continuing Care/Retirement Revenue Bonds - 2.31%		
Minneapolis Health Care Facility Revenue (Jones-Harrison Residence Project) 6.00% 10/1/27	1,565,000	1,489,285
Moorhead Economic Development Authority Multifamily Revenue (Eventide Lutheran Home Project) Series B 6.00% 6/1/18	1,000,000	1,000,730
		2,490,015
Corporate-Backed Revenue Bonds - 5.51%		
Burnsville Commonwealth Development (Holiday Inn Project) 5.90% 4/1/08	1,430,000	1,415,228

Cloquet Pollution Control Revenue (Potlatch Corporation Project) 5.90% 10/1/26	4,500,000	4,535,280
		5,950,508
Escrowed to Maturity Bonds - 15.17%		
Dakota/Washington Counties Housing & Redevelopment Authority Bloomington Single Family Residential Mortgage Revenue 8.375% 9/1/21 (GNMA) (FHA) (VA)	5,500,000	7,998,705
St. Paul Housing & Redevelopment Authority Sales Tax (Civic Center Project) 5.55% 11/1/23	2,300,000	2,329,624
5.55% 11/1/23 (MBIA)	4,200,000	4,254,096
Western Minnesota Municipal Power Agency 6.625% 1/1/16	1,535,000	1,801,583
		16,384,008
Higher Education Revenue Bonds - 10.23%		
Minnesota State Higher Education Facilities Authority (College of St. Benedict) Series 5-W 5.00% 3/1/20	1,000,000	1,025,250
(St. Catherine College) Series 5-N1 5.375% 10/1/32	1,500,000	1,561,935
(St. Mary's University) Series 5-U 4.80% 10/1/23	1,400,000	1,400,490

	Principal Amount	Market Value
MUNICIPAL BONDS (continued)		
Higher Education Revenue Bonds (continued)		
(St. Thomas University) Series 4-A1 5.625% 10/1/21	$1,000,000	$ 1,033,090
(St. Thomas University) Series 5-Y 5.25% 10/1/34	1,500,000	1,563,795
St. Cloud Housing & Redevelopment Authority Revenue (State University Foundation Project) 5.00% 5/1/23	1,000,000	1,035,830
University of Minnesota Series A 5.50% 7/1/21	3,000,000	3,419,520
		11,039,910
Hospital Revenue Bonds - 23.38%		
Duluth Economic Development Authority Health Care Facilities Revenue (Benedictine Health System - St. Mary's Hospital) 5.25% 2/15/33	5,000,000	5,075,850
Minneapolis Health Care System Revenue (Allina Health Systems) Series A 5.75% 11/15/32	1,000,000	1,058,420
(Fairview Health Services) Series A 5.625% 5/15/32	2,750,000	2,898,308
Minnesota Agricultural & Economic Development Health Care System (Fairview Hospital)		

Series A 6.375% 11/15/29	3,300,000	3,588,024
Series 97A 5.75% 11/15/26 (MBIA)	5,550,000	5,956,704
Rochester Health Care Facilities Revenue (Mayo Foundation) Series B 5.50% 11/15/27	3,365,000	3,570,904
St. Louis Park Health Care Facilities Revenue (Park Nicollet Health Services) Series B 5.25% 7/1/30	1,250,000	1,270,038
St. Paul Housing & Redevelopment Authority Health Care Facilities Revenue (Regions Hospital Project) 5.30% 5/15/28	300,000	301,668
Waconia Health Care Facilities Revenue (Ridgeview Medical Center Project) Series A 6.10% 1/1/19 (RADIAN)	1,405,000	1,534,246
		25,254,162
Miscellaneous Revenue Bonds - 3.80%		
Minneapolis Art Center Facilities Revenue (Walker Art Center Project) 5.125% 7/1/21	2,400,000	2,497,464
Minneapolis Community Development Agency (Supported Development Revenue Limited Tax Common Bond Fund) Series 5 5.70% 12/1/27	375,000	381,795
Series G1 5.70% 12/1/19	1,100,000	1,225,444
		4,104,703

STATEMENTS OF NET ASSETS (CONTINUED)

	Principal Amount	Market Value
MUNICIPAL BONDS (continued)		
Multifamily Housing Revenue Bonds - 9.35%		
Chanhassen Multifamily Housing Revenue (Heritage Park Project Section 8) 6.20% 7/1/30 (FHA) (AMT)	$1,105,000	$ 1,141,454
Harmony Multifamily Housing Revenue Refunding Section 8 (Zedakah Foundation Project) Series A 5.95% 9/1/20	1,000,000	847,950
Minneapolis Multifamily Housing Revenue (Seward Towers Project) 5.00% 5/20/36 (GNMA)	1,000,000	1,009,290
(Sumner Housing Project) Series A 5.15% 2/20/45 (GNMA) (AMT)	3,575,000	3,586,868
Minnesota State Housing Finance Agency Series A 5.00% 2/1/35 (AMT)	1,000,000	983,930
Series D 5.95% 2/1/18 (MBIA)	155,000	158,257
Southeastern Minnesota Multi County Housing & Redevelopment Authority (Winona County) 5.35% 1/1/28	870,000	875,725
Stillwater Multifamily Housing Revenue (Stillwater Cottages)		

(Orleans Homes Number One)		
7.25% 11/1/27 (AMT)	1,540,000	1,490,951
		10,094,425
Municipal Lease Revenue Bonds - 11.20%		
Andover Economic Development Authority		
Public Facilities Lease Revenue		
(Andover Community Center)		
5.20% 2/1/29	1,000,000	1,018,000
Minneapolis Development Revenue		
(Limited Tax Supported Common		
Bond Fund) 5.50% 12/1/24 (AMT)	1,000,000	1,043,730
St. Paul Port Authority Lease Revenue		
(Cedar Street Office Building Project)		
5.00% 12/1/22	2,385,000	2,483,429
5.25% 12/1/27	2,650,000	2,792,252
St. Paul Port Authority Lease Revenue		
(Robert Street Office Building Project)		
5.00% 12/1/27	2,545,000	2,641,634
Series 9 5.25% 12/1/27	2,000,000	2,115,360
		12,094,405
Parking Revenue Bonds - 1.23%		
St. Paul Housing & Redevelopment		
Authority Parking Revenue		
(Block 19 Ramp Project)		
Series A 5.35% 8/1/29 (FSA)	1,250,000	1,330,513
		1,330,513
Political Subdivision General Obligation Bonds - 6.66%		
Hennepin County Series B 5.00% 12/1/18	1,000,000	1,058,150
Hennepin Regional Railroad Authority		
5.00% 12/1/26	3,500,000	3,599,680
Metropolitan Council Waste Water Treatment		
Series B 5.00% 12/1/21	1,250,000	1,324,125
Washington County Housing &		
Redevelopment Authority Series B		
5.50% 2/1/32 (MBIA)	1,140,000	1,206,690
		7,188,645

	Principal Amount	Market Value
MUNICIPAL BONDS (continued)		
*Pre-Refunded Bonds - 12.94%		
Esko Independent School District #99		
5.65% 4/1/12-05 (FSA)	$ 550,000	$ 550,000
Hawley Independent School District #150		
Series A 5.75% 2/1/17-06 (FSA)	1,000,000	1,025,020
Minneapolis/St. Paul Housing &		
Redevelopment Authority Health		
Care Systems (Children's Health Care)		
Series A 5.50% 8/15/25-05 (FSA)	1,400,000	1,444,114
Puerto Rico Commonwealth Public		
Improvement Series A 5.00% 7/1/27-12	1,250,000	1,356,163
Puerto Rico Electric Power Authority		
Power Revenue Series Z		

5.25% 7/1/21-05	1,500,000	1,511,100
Puerto Rico Highway & Transportation Authority Revenue Series Y 5.50% 7/1/26-06	2,000,000	2,100,480
Puerto Rico Public Buildings Authority Series D 5.25% 7/1/27-12	625,000	678,006
Rosemount Independent School District #196 Series A 5.70% 4/1/12-06	1,270,000	1,307,148
Southern Minnesota Municipal Power Agency Supply Revenue Series A 5.75% 1/1/18-13	3,715,000	3,996,336
		13,968,367
Public Power Revenue Bonds - 11.93%		
Minnesota State Municipal Power Agency Series A 5.00% 10/1/34	5,750,000	5,845,680
Rochester Electric Utility Revenue 5.25% 12/1/30 (AMBAC)	450,000	473,976
&Southern Minnesota Municipal Power Agency Supply System Revenue Inverse Floater ROLs		
Series II-R-189-3 8.096% 1/1/14 (AMBAC)	3,000,000	3,602,250
Series II-R-189 8.096% 1/1/15 (AMBAC)	1,500,000	1,821,840
Western Minnesota Municipal Power Agency Series A 5.00% 1/1/30 (MBIA)	1,100,000	1,137,389
		12,881,135
School District General Obligation Bonds - 12.52%		
Centennial Independent School District #012 Series A 5.00% 2/1/20 (FSA)	400,000	418,404
Elk River Independent School District #728 5.00% 2/1/16 (FGIC)	1,500,000	1,615,200
Farmington Independent School		
District #192 5.00% 2/1/23 (FSA)	1,080,000	1,124,032
Series B 5.00% 2/1/27 (FSA)	1,000,000	1,042,950
Lakeville Independent School District #194-A 4.75% 2/1/22 (FSA)	1,500,000	1,533,885
Minneapolis Special School District #001 5.00% 2/1/19 (FSA)	1,000,000	1,056,640
Morris Independent School District #769 5.00% 2/1/28 (MBIA)	2,750,000	2,848,037
Mounds View Independent School District #621 5.00% 2/1/23 (FSA)	1,000,000	1,043,040

	Principal Amount	Market Value
MUNICIPAL BONDS (continued)		
School District General Obligation Bonds (continued)		
Princeton Independent School District #477 Series A 5.00% 2/1/24 (FSA)	$ 500,000	$ 524,725
St. Michael Independent School District #885		

5.00% 2/1/22 (FSA)	1,500,000	1,558,995
5.00% 2/1/24 (FSA)	725,000	748,664
		13,514,572
Single Family Housing Revenue Bonds - 2.57%		
Minnesota State Housing Finance Agency		
Single Family Housing Series 1992-C2		
6.15% 7/1/23 (AMT)	920,000	922,585
Minnesota State Housing Finance		
Agency Single Family Mortgage		
Series B 5.35% 1/1/33 (AMT)	1,145,000	1,157,802
Series J 5.90% 7/1/28 (AMT)	670,000	689,825
		2,770,212
State General Obligation Bonds - 4.36%		
Minnesota State 5.00% 8/1/21	3,875,000	4,069,951
&Minnesota State, Inverse Floater ROLs		
7.824% 11/1/17	570,000	631,936
		4,701,887
Tax Increment/Special Assessment Bonds - 0.49%		
Moorhead Economic Development		
Authority Tax Increment Series A		
5.25% 2/1/25 (MBIA)	500,000	529,535
		529,535
Territorial General Obligation Bonds - 1.07%		
Puerto Rico Commonwealth Public		
Improvement Series A		
5.50% 7/1/19 (MBIA)	1,000,000	1,151,650
		1,151,650
Territorial Revenue Bonds - 0.49%		
Virgin Islands Public Finance Authority		
5.25% 10/1/23	500,000	525,375
		525,375
TOTAL MUNICIPAL BONDS (cost $154,446,585)		160,848,783
SHORT-TERM INVESTMENTS - 3.15%		
oVariable Rate Demand Notes - 3.15%		
Midwest Consortium of Municipal		
Utilities Series A 2.28% 1/1/25	250,000	250,000
Minneapolis Block E Buildings		
Series A 2.13% 3/1/27	1,250,000	1,250,000
Minneapolis Library 2.13% 12/1/32	700,000	700,000
Minneapolis Multifamily Housing Revenue		
(Seven Corners Apartments Project)		
2.23% 11/1/31	300,000	300,000
Minnesota State Higher Education Facilities		
Authority (Carleton College)		
Series 5-G 2.13% 11/1/29	900,000	900,000
TOTAL SHORT-TERM INVESTMENTS		
(cost $3,400,000)		3,400,000

TOTAL MARKET VALUE OF SECURITIES - 152.14% (cost $157,846,585)	$164,248,783
RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES - 3.44%	3,709,092
LIQUIDATION VALUE OF PREFERRED STOCK - (55.58%)	(60,000,000)
NET ASSETS APPLICABLE TO 7,252,200 SHARES OUTSTANDING - 100.00%	$107,957,875
Net Asset Value Per Common Share ($107,957,875 / 7,252,200 Shares)	$14.89

COMPONENTS OF NET ASSETS AT MARCH 31, 2005:	
Common Stock, $0.01 par value, 200 million shares authorized to the Fund	$99,710,000
Undistributed net investment income	2,250,617
Accumulated net realized loss on investments	(404,940)
Net unrealized appreciation of investments	6,402,198
Total net assets	$107,957,875

*Pre-Refunded Bonds are 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 6 in "Notes to Financial Statements."

&An inverse floater bond is a type of bond with variable or floating interest rates that move in the opposite direction of short-term interest rates. Interest rate disclosed is in effect as of March 31, 2005. Illiquid security see Note 6 in "Notes to Financial Statements."

oVariable rate notes. The interest rate shown is the rate as of March 31, 2005.

SUMMARY OF ABBREVIATIONS:
AMBAC - Insured by the AMBAC Assurance Corporation
AMT - Subject to Alternative Minimum Tax
FGIC - Insured by the Financial Guaranty Insurance Company
FHA - Insured by the Federal Housing Administration
FSA - Insured by Financial Security Assurance
GNMA - Insured by the Government National Mortgage Association
MBIA - Insured by the Municipal Bond Insurance Association
RADIAN - Insured by Radian Asset Assurance
ROLs - Residual Option Longs
VA - Insured by the Veterans Administration

See accompanying notes

STATEMENTS
OF NET ASSETS (CONTINUED)

	Principal	Market

	Amount	Value
MUNICIPAL BONDS - 152.50%		
Airport Revenue Bonds - 9.58%		
Minneapolis/St. Paul Metropolitan Airports Commission Revenue		
Series A5.00% 1/1/28 (MBIA)	$ 750,000	$ 774,503
5.00% 1/1/30 (AMBAC)	750,000	760,380
5.125% 1/1/25 (FGIC)	900,000	928,557
		2,463,440
City General Obligation Bonds - 5.04%		
Moorhead Series B 5.00% 2/1/33 (MBIA)	1,250,000	1,296,450
		1,296,450
Continuing Care/Retirement Revenue Bonds - 9.65%		
Minnesota Agriculture & Economic Development Board Revenue (Benedictine Health Systems)		
5.75% 2/1/29	600,000	585,060
St. Paul Housing & Redevelopment Authority Revenue (Franciscan Health Project)		
5.40% 11/20/42 (GNMA) (FHA)	1,820,000	1,897,405
		2,482,465
Corporate-Backed Revenue Bonds - 7.51%		
Cloquet Pollution Control Revenue (Potlatch Corporation Project)		
5.90% 10/1/26	1,000,000	1,007,840
Minneapolis Community Development Agency Supported Development Revenue (Pajor Graphics) Series 1		
(LOC US Bank NA) 6.75% 12/1/25 (AMT)	865,000	924,382
		1,932,222
Escrowed to Maturity Bonds - 12.14%		
University of Minnesota Hospital & Clinics		
6.75% 12/1/16	2,580,000	3,122,393
		3,122,393
Higher Education Revenue Bonds - 5.26%		
Minnesota State Higher Education Facilities Authority (College of St. Benedict) Series 5-W		
5.25% 3/1/24	300,000	309,888
(St.Thomas University) Series 4-A1		
5.625% 10/1/21	1,010,000	1,043,421
		1,353,309
Hospital Revenue Bonds - 21.10%		
Bemidji Hospital Facilities Revenue (North County Health Services)		
5.00% 9/1/24 (RADIAN)	500,000	513,695
Duluth Economic Development Authority Health Care Facilities Revenue		

(Benedictine Health System - St. Mary's Hospital) 5.25% 2/15/33	1,000,000	1,015,170
Minneapolis Health Care System Revenue (Allina Health Systems) Series A 5.75% 11/15/32	1,100,000	1,164,262
Minnesota Agricultural & Economic Development Health Care System (Fairview Hospital) Series A 6.375% 11/15/29	1,250,000	1,359,099

	Principal Amount	Market Value
MUNICIPAL BONDS (continued)		
Hospital Revenue Bonds (continued)		
Rochester Health Care Facilities Revenue (Mayo Foundation) Series B 5.50% 11/15/27	$1,000,000	$ 1,061,190
Shakopee Health Care Facilities Revenue (St. Francis Regional Medical Center) 5.25% 9/1/34	310,000	313,199
		5,426,615
Miscellaneous Revenue Bonds - 1.01%		
Minneapolis Art Center Facilities Revenue (Walker Art Center Project) 5.125% 7/1/21	250,000	260,153
		260,153
Multifamily Housing Revenue Bonds - 7.67%		
Minneapolis Multifamily Housing Revenue o(Gaar Scott Loft Project) 5.95% 5/1/30 (AMT)	975,000	1,029,785
Minneapolis Multifamily Housing Revenue (Olson Townhomes Project) 6.00% 12/1/19 (AMT)	965,000	943,307
		1,973,092
Municipal Lease Revenue Bonds - 10.12%		
Andover Economic Development Authority Public Facilities Lease Revenue (Andover Community Center) 5.125% 2/1/24	500,000	508,850
St. Paul Port Authority Lease Revenue (Cedar Street Office Building Project) 5.125% 12/1/27	500,000	522,445
5.25% 12/1/27	1,000,000	1,053,680
St. Paul Port Authority Lease Revenue (Robert Street Office Building Project) 5.00% 12/1/27	500,000	518,985
		2,603,960
Parking Revenue Bonds - 6.00%		
St. Paul Housing & Redevelopment Authority Parking Revenue (Block 19 Ramp Project) Series A 5.35% 8/1/29 (FSA)	1,450,000	1,543,395

		1,543,395
Political Subdivision General Obligation Bonds - 9.65%		
Metropolitan Council Waste Water Treatment		
Series B 5.00% 12/1/21	750,000	794,475
Minneapolis Sports Arena Project		
5.125% 10/1/20	750,000	782,033
Washington County Housing &		
Redevelopment Authority Series B		
5.50% 2/1/22 (MBIA)	850,000	904,349
		2,480,857
*Pre-Refunded Bonds - 15.17%		
Esko Independent School District #99		
5.75% 4/1/17-05 (FSA)	1,645,000	1,645,000
Minnesota Public Facilities Authority		
Water Pollution Control Revenue		
Series B 5.40% 3/1/15-06	2,200,000	2,256,452
		3,901,452

STATEMENTS
OF NET ASSETS (CONTINUED)

	Principal Amount	Market Value
MUNICIPAL BONDS (continued)		
Public Power Revenue Bonds - 21.83%		
Minnesota State Municipal		
Power Agency Series A		
5.00% 10/1/34	$ 750,000	$ 762,480
5.25% 10/1/19	500,000	533,110
Southern Minnesota Municipal		
Power Agency Series A		
5.00% 1/1/13 (MBIA)	500,000	540,445
5.25% 1/1/15 (AMBAC)	700,000	775,096
5.25% 1/1/16 (AMBAC)	500,000	552,990
&Southern Minnesota Municipal		
Power Agency Supply System Revenue		
Inverse Floater ROLs Series II-R-189-3		
8.096% 1/1/14 (AMBAC)	1,500,000	1,801,124
Western Minnesota Municipal		
Power Agency Series B		
5.00% 1/1/15 (MBIA)	600,000	648,768
		5,614,013
School District General Obligation Bonds - 4.07%		
Farmington Independent School		
District #192 Series B		
5.00% 2/1/27 (FSA)	500,000	521,475
Princeton Independent School		
District #477 Series A		
5.00% 2/1/24 (FSA)	500,000	524,725

		1,046,200
Single Family Housing Revenue Bonds - 2.52%		
Minnesota State Housing Finance Agency Single Family Mortgage Series B 5.35% 1/1/33 (AMT)	640,000	647,155
		647,155
Territorial General Obligation Bonds - 2.02%		
University Virgin Islands Series A 5.375% 6/1/34	500,000	520,070
		520,070
Territorial Revenue Bonds - 2.16%		
Puerto Rico Public Buildings Authority Guaranteed Government Facilities Revenue Series D (Unrefunded Portion) 5.25% 7/1/27	530,000	554,990
		554,990
TOTAL MUNICIPAL BONDS (cost $37,578,090)		39,222,231
SHORT-TERM INVESTMENTS - 2.14%		
Variable Rate Demand Notes - 2.14%		
oCity of St. Cloud 2.18% 2/1/16	550,000	550,000
TOTAL SHORT-TERM INVESTMENTS (cost $550,000)		550,000
TOTAL MARKET VALUE OF SECURITIES - 154.64% (cost $38,128,090)		$39,772,231
RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES - 3.68%		947,514
LIQUIDATION VALUE OF PREFERRED STOCK - (58.32%)		(15,000,000)
NET ASSETS APPLICABLE TO 1,837,200 SHARES OUTSTANDING - 100.00%		$25,719,745
Net Asset Value Per Common Share ($25,719,745 / 1,837,200 Shares)		$14.00
COMPONENTS OF NET ASSETS AT MARCH 31, 2005:		
Common Stock $0.01 par value, 200 million shares authorized to the Fund		$23,648,910
Undistributed net investment income		522,026
Accumulated net realized loss on investments		(95,332)
Net unrealized appreciation of investments		1,644,141
Total net assets		$25,719,745

*Pre-Refunded Bonds are 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 6 in "Notes to Financial Statements."

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oVariable rate notes. The interest rate shown is the rate as of March 31, 2005.

SUMMARY OF ABBREVIATIONS:
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FHA - Insured by the Federal Housing Administration
FSA - Insured by Financial Security Assurance
GNMA - Insured by the Government National Mortgage Association
LOC - Letter of Credit
MBIA - Insured by the Municipal Bond Insurance Association
RADIAN - Insured by Radian Asset Assurance
ROLs - Residual Option Longs

See accompanying notes

STATEMENTS
OF NET ASSETS (CONTINUED)

	Principal Amount	Market Value
MUNICIPAL BONDS - 148.26%		
Airport Revenue Bonds - 6.89%		
Phoenix Civic Improvement Corporation		
Airport Revenue		
Senior Lien Series A 5.00% 7/1/25 (FSA)	$1,000,000	$ 1,024,920
Series B 5.25% 7/1/27 (FGIC)(AMT)	2,000,000	2,072,980
		3,097,900
City General Obligation Bonds - 1.15%		
DC Ranch Community Facilities		
5.00% 7/15/27 (AMBAC)	500,000	517,980
		517,980
Convention Center/Auditorium/Hotel Revenue Bonds - 2.29%		
Arizona Tourism & Sports Authority Tax		
Revenue Multipurpose Stadium Facilities		
Series A 5.00% 7/1/31 (MBIA)	1,000,000	1,030,250
		1,030,250
Dedicated Tax & Fees Revenue Bonds - 6.88%		
Glendale Municipal Property Corporation		
5.00% 7/1/33 (AMBAC)	3,000,000	3,092,820
		3,092,820

Escrowed to Maturity Bonds - 10.86%		
Puerto Rico Commonwealth Infrastructure Financing Series A 5.50% 10/1/40	4,500,000	4,879,260
		4,879,260
Higher Education Revenue Bonds - 5.88%		
Arizona State University Certificates of Participation (Research Infrastructure Project) 5.00% 9/1/30 (AMBAC)	1,000,000	1,032,180
South Campus Group Student Housing Revenue (Arizona State University South Campus Project) 5.625% 9/1/35 (MBIA)	1,000,000	1,089,830
University of Arizona Certificates of Participation (University of Arizona Project) Series B 5.125% 6/1/22 (AMBAC)	500,000	522,420
		2,644,430
Hospital Revenue Bonds - 19.21%		
Maricopa County Industrial Development Authority (Catholic Healthcare West) Series A 5.50% 7/1/26	430,000	449,621
(Mayo Clinic Hospital) 5.25% 11/15/37	2,000,000	2,084,760
Mohave County Industrial Development Authority (Chris/Silver Ridge) 6.375% 11/1/31 (GNMA)	260,000	272,477
Scottsdale Industrial Development Authority Hospital Revenue (Scottsdale Healthcare) 5.80% 12/1/31	1,000,000	1,069,420
Show Low Industrial Development Authority Hospital Revenue (Navapache Regional Medical Center) Series A 5.50% 12/1/17 (ACA)	1,600,000	1,661,456
University Medical Center Corporation Arizona Hospital Revenue 5.00% 7/1/33	1,000,000	1,000,660
Yavapai County Industrial Development Authority (Yavapai Regional Medical Center) 5.25% 8/1/21 (RADIAN)	2,000,000	2,091,840
		8,630,234

	Principal Amount	Market Value
MUNICIPAL BONDS (continued)		
Miscellaneous Revenue Bonds - 8.24%		
Arizona School Facilities Board Revenue (State School Improvement) Series 2001 5.00% 7/1/19	$2,000,000	$ 2,109,180
Arizona Student Loan Acquisition Authority Revenue Series A-1 5.90% 5/1/24 (AMT)	1,500,000	1,595,700
		3,704,880
Multifamily Housing Revenue Bonds - 1.10%		

Maricopa County Industrial Development Authority Multifamily Housing Revenue (Sly-Mar Apartments Projects) 6.10% 4/20/36 (GNMA) (AMT)	465,000	494,379
		494,379
Municipal Lease Revenue Bonds - 9.54%		
Greater Arizona Development Authority Infrastructure Revenue Series A 5.00% 8/1/22 (MBIA)	500,000	525,725
Phoenix Civic Improvement Corporation Excise Tax Senior Lien (Municipal Courthouse Project) Series A 5.25% 7/1/24	1,000,000	1,063,370
Prescott Valley Property Corporation 5.00% 1/1/27 (FGIC)	500,000	515,345
Tucson Certificates of Participation 5.60% 7/1/11	1,100,000	1,154,252
Yuma Municipal Property Corporation 5.00% 7/1/25 (AMBAC)	1,000,000	1,027,880
		4,286,572
Political Subdivision General Obligation Bonds - 3.51%		
Eagle Mountain Community Facilities District Series A 6.40% 7/1/17	1,500,000	1,576,005
		1,576,005
***Pre-Refunded Bonds - 18.15%**		
Arizona School Facilities Board Certificates of Participation Series B 5.25% 9/1/19-14 (FSA)	1,000,000	1,108,170
Arizona State Transportation Board Highway Revenue Refunding 5.75% 7/1/18-09	2,350,000	2,586,715
Arizona Water Infrastructure Finance Authority Revenue Water Quality Series A 5.05% 10/1/20-11	1,500,000	1,624,605
Oro Valley Municipal Property Corporation Excise Tax 5.00% 7/1/20-11 (FGIC)	1,000,000	1,045,800
Puerto Rico Commonwealth Public Improvement Series A 5.125% 7/1/31-11	250,000	271,810
Southern Arizona Capital Facilities Finance Corporation (University of Arizona Project) 5.00% 9/1/23-12 (MBIA)	1,150,000	1,247,095
Yuma Industrial Development Authority Hospital Revenue (Yuma Regional Medical Center) 5.00% 8/1/31-11 (FSA)	250,000	270,980
		8,155,175

OF NET ASSETS (CONTINUED)

	Principal Amount	Market Value
MUNICIPAL BONDS (continued)		
Public Power Revenue Bonds - 3.44%		
Salt River Project Arizona Agricultural Improvement & Power District Electric System Revenue (Salt River Project) Series A 5.00% 1/1/31	$1,500,000	$ 1,545,045
		1,545,045
School District General Obligation Bonds - 17.27%		
Maricopa County School District #6 (Washington Elementary) Series A 5.375% 7/1/13 (FSA)	3,000,000	3,332,879
(Washington Elementary School Improvement Project of 2001) Series B 5.00% 7/1/17 (FSA)	1,000,000	1,087,440
Maricopa County School District #78 (Madison Elementary) 5.00% 7/1/13 (FSA)	1,250,000	1,355,763
5.00% 7/1/14 (FSA)	825,000	896,528
Tempe Union High School District #213 5.00% 7/1/14 (FSA)	1,000,000	1,086,700
		7,759,310
Single Family Housing Revenue Bonds - 4.67%		
Phoenix Industrial Development Authority Single Family Statewide Series A 5.35% 6/1/20 (GNMA) (FNMA) (FHLMC) (AMT)	950,000	973,960
Series C 5.30% 4/1/20 (GNMA) (FNMA) (FHLMC) (AMT)	745,000	767,357
Pima County Industrial Development Authority Single Family Mortgage Revenue Series A 6.125% 11/1/33 (GNMA) (FNMA) (FHLMC) (AMT)	340,000	355,752
		2,097,069
Territorial Revenue Bonds - 23.80%		
Puerto Rico Commonwealth Highway & Transportation Authority Transportation Refunding Series D 5.00% 7/1/32 (FSA)	8,500,000	8,789,084
Puerto Rico Commonwealth Public Improvement Series A 5.125% 7/1/31	500,000	513,535
Virgin Islands Public Finance Authority Revenue Series A 6.125% 10/1/29 (ACA)	1,250,000	1,392,000
		10,694,619
Water & Sewer Revenue Bonds - 5.38%		
Phoenix Civic Improvement Corporation Wastewater Systems Revenue Junior Lien		

5.00% 7/1/24 (FGIC)	1,590,000	1,640,212
5.00% 7/1/26 (FGIC)	750,000	775,508
		2,415,720
TOTAL MUNICIPAL BONDS (cost $63,376,193)		66,621,648

TOTAL MARKET VALUE OF SECURITIES - 148.26% (cost $63,376,193)	$66,621,648
RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES - 7.37%~	3,314,111
LIQUIDATION VALUE OF PREFERRED STOCK - (55.63%)	(25,000,000)
NET ASSETS APPLICABLE TO 2,982,200 SHARES OUTSTANDING - 100.00%	$44,935,759
Net Asset Value Per Common Share ($44,935,759 / 2,982,200 Shares)	$15.07

COMPONENTS OF NET ASSETS AT MARCH 31, 2005:	
Common stock, $0.01 per value, 200 million shares authorized to the Fund	$40,838,893
Undistributed net investment income	765,316
Accumulated net realized gain on investments	86,095
Net unrealized appreciation of investments	3,245,455
Total net assets	$44,935,759

*Pre-Refunded Bonds are 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-funded. See Note 6 in "Notes to Financial Statements."

~Of this amount, $2,353,234 represents cash as of March 31, 2005.

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

See accompanying notes

STATEMENTS
OF NET ASSETS (CONTINUED)

	Principal Amount	Market Value
MUNICIPAL BONDS - 151.00%		
Airport Revenue Bonds - 2.83%		
Dade County Aviation Revenue		
Series 96B 5.60% 10/1/26 (MBIA)	$1,000,000	$ 1,051,980
		1,051,980
Dedicated Tax & Fees Revenue Bonds - 16.89%		
Florida Department of Transportation		
5.00% 7/1/31 (FGIC)	1,525,000	1,575,371
Jacksonville Sales Tax Revenue		
5.00% 10/1/30 (MBIA)	1,500,000	1,547,685
Jacksonville Transportation Revenue		
5.25% 10/1/29 (MBIA)	2,000,000	2,101,540
Miami Beach Resort Tax Revenue		
5.50% 10/1/16 (AMBAC)	1,000,000	1,055,910
		6,280,506
Higher Education Revenue Bonds - 7.73%		
Florida Agriculture & Mechanical		
University Revenue		
(Student Apartment Facility)		
5.625% 7/1/21 (MBIA)	1,250,000	1,301,463
Volusia County Educational		
Facilities Authority		
(Stetson University Project) Series A		
5.50% 6/1/17 (MBIA)	1,500,000	1,572,630
		2,874,093
Hospital Revenue Bonds - 21.82%		
Escambia County Health Facilities Authority		
(Florida Health Care Facilities -		
VHA Program) 5.95% 7/1/20 (AMBAC)	3,075,000	3,132,810
Lee County Memorial Health		
System Board of Directors		
5.00% 4/1/20 (FSA)	1,000,000	1,036,120
Orange County Health Facilities		
Authority Revenue		
(Adventist Health Systems)		
5.75% 11/15/25 (AMBAC)	1,500,000	1,553,250
(Orlando Regional Healthcare)		
Series A 6.25% 10/1/18 (MBIA)	2,000,000	2,386,060
		8,108,240
Miscellaneous Revenue Bonds - 2.76%		
Florida State Municipal Loan		
(Council Revenue) Series A		
5.00% 2/1/35 (MBIA)	1,000,000	1,027,710
		1,027,710
Multifamily Housing Revenue Bonds - 23.18%		
Broward County Housing		
Finance Authority		
(St. Croix Apartments Project) Series A		
5.45% 11/1/36 (FSA) (AMT)	1,000,000	1,012,080

Florida Housing Finance Agency (Homeowner Mortgage) Series 2 5.90% 7/1/29 (MBIA) (AMT)	760,000	783,279
(Leigh Meadows Apartments Section 8) Series N 6.30% 9/1/36 (AMBAC) (AMT)	2,510,000	2,583,493
	Principal Amount	Market Value
MUNICIPAL BONDS (continued)		
Multifamily Housing Revenue Bonds (continued)		
(Woodbridge Apartments Project) Series L		
6.05% 12/1/16 (AMBAC) (AMT)	$1,120,000	$ 1,163,635
6.25% 6/1/36 (AMBAC) (AMT)	1,500,000	1,545,375
Volusia County Multifamily Housing Finance Authority (San Marco Apartments) Series A 5.60% 1/1/44 (FSA) (AMT)	1,500,000	1,529,100
		8,616,962
Municipal Lease Revenue Bonds - 9.62%		
Broward School Board Certificates of Participation Series A 5.25% 7/1/24 (FSA)	1,000,000	1,056,020
Orange County School Board Certificates of Participation Series A 5.00% 8/1/27 (MBIA)	1,250,000	1,285,838
Palm Beach County School Board Certificates of Participation Series D 5.00% 8/1/28 (FSA)	1,200,000	1,232,904
		3,574,762
Ports & Harbors Revenue Bonds - 2.76%		
Florida Ports Financing Commission State Transportation Trust Fund 5.375% 6/1/27 (MBIA) (AMT)	1,000,000	1,024,640
		1,024,640
*Pre-Refunded Bonds - 47.12%		
Dade County School Board Certificates of Participation Series B 5.60% 8/1/17-06 (AMBAC)	1,000,000	1,048,170
Escambia County School Board Certificates of Participation Series 2 5.50% 2/1/22-06 (MBIA)	5,000,000	5,196,299
Florida State Board of Education (Capital Outlay Public Education) Series C 6.00% 6/1/21-10 (FGIC)	2,000,000	2,267,080
Indian River County Water & Sewer Revenue 5.50% 9/1/16-06 (FGIC)	1,000,000	1,054,110
Orange County Public Service Tax Revenue 6.00% 10/1/24-05 (FGIC)	3,000,000	3,113,340
Sunrise Utility System Revenue Series A 5.75% 10/1/26-06 (AMBAC)	2,500,000	2,636,700
Tampa Utility Tax Improvement Series A 6.125% 10/1/19-09 (AMBAC)	1,000,000	1,128,330
Village Center Community Development District Recreational Revenue Series A 5.85% 11/1/16-06 (MBIA)	1,000,000	1,067,940

		17,511,969
Public Power Revenue Bonds - 5.47%		
JEA Electric Systems Revenue Series 3-A		
5.00% 10/1/34 (FSA)	2,000,000	2,031,940
		2,031,940

DELAWARE INVESTMENTS FLORIDA INSURED MUNICIPAL INCOME FUND

STATEMENTS OF NET ASSETS (CONTINUED)

	Principal Amount	Market Value
MUNICIPAL BONDS (continued)		
Tax Increment/Special Assessment Bonds - 0.82%		
Julington Creek Plantation Community Development District Special Assessment		
5.00% 5/1/29 (MBIA)	$ 295,000	$ 303,381
		303,381
Water & Sewer Revenue Bonds - 10.00%		
Dade County Water & Sewer System		
Revenue 5.50% 10/1/25 (FGIC)	1,100,000	1,134,441
JEA Florida Water & Sewer Systems		
Revenue Sub-Second Crossover		
5.00% 10/1/25 (MBIA)	1,000,000	1,038,700
Village Center Community Development		
District Florida Utility Revenue		
5.00% 10/1/36 (MBIA)	1,500,000	1,542,960
		3,716,101
TOTAL MUNICIPAL BONDS (cost $53,141,451)		56,122,284
TOTAL MARKET VALUE OF SECURITIES - 151.00% (cost $53,141,451)		56,122,284
RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES - 2.81%		1,043,769
LIQUIDATION VALUE OF PREFERRED STOCK - (53.81%)		(20,000,000)
NET ASSETS APPLICABLE TO 2,422,200 SHARES OUTSTANDING - 100.00%		$37,166,053
Net Asset Value Per Common Share ($37,166,053 / 2,422,200 Shares)		$15.34
COMPONENTS OF NET ASSETS AT MARCH 31, 2005:		
Common stock, $0.01 par value, unlimited shares authorized to the Fund		$33,361,389

Undistributed net investment income	799,507
Accumulated net realized gain on investments	24,324
Net unrealized appreciation of investments	2,980,833
Total net assets	$37,166,053

*Pre-Refunded Bonds are 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-funded. See Note 6 in "Notes to Financial Statements."

SUMMARY OF ABBREVIATIONS:
AMBAC - Insured by the AMBAC Assurance Corporation
AMT - Subject to Alternative Minimum Tax
FGIC - Insured by the Financial Guaranty Insurance Company
FSA - Insured by the Financial Security Assurance
MBIA - Insured by the Municipal Bond Insurance Association

See accompanying notes

DELAWARE INVESTMENTS COLORADO INSURED MUNICIPAL INCOME FUND, INC.
March 31, 2005

STATEMENTS
OF NET ASSETS (CONTINUED)

	Principal Amount	Market Value
MUNICIPAL BONDS - 150.37%		
Airport Revenue Bonds - 10.47%		
Denver City & County Airport Series E		
5.25% 11/15/23 (MBIA)	$7,500,000	$ 7,888,125
		7,888,125
City General Obligation Bonds - 2.74%		
Bowles Metropolitan District		
5.00% 12/1/33 (FSA)	2,000,000	2,064,460
		2,064,460
Continuing Care/Retirement Revenue Bonds - 3.56%		
Colorado Health Facilities Authority Revenue (Porter Place) Series A		
6.00% 1/20/36 (GNMA)	2,515,000	2,686,322
		2,686,322
Convention Center/Auditorium/Hotel Revenue Bonds - 4.08%		
Denver Convention Center Series A		
5.00% 12/1/33 (XLCA)	3,000,000	3,072,930
		3,072,930
Dedicated Tax & Fees Revenue Bonds - 11.29%		
Broomfield County Sales & Use Tax Revenue Refunding & Improvement Series A 5.00% 12/1/31 (AMBAC)	650,000	668,077
Denver City & County Excise Tax Revenue		

(Colorado Convention Center Project) Series A 5.00% 9/1/20 (FSA)	6,500,000	6,783,530
Golden Sales & Use Tax Revenue Improvement Series B 5.10% 12/1/20 (AMBAC)	1,000,000	1,058,600
		8,510,207
Higher Education Revenue Bonds - 33.23%		
Boulder County Development Revenue (University Corporation for Atmospheric Research) 5.00% 9/1/26 (MBIA)	4,500,000	4,622,760
Colorado Educational & Cultural Facilities Authority (Johnson & Wales University Project) Series A 5.00% 4/1/28 (XLCA)	3,000,000	3,082,590
(University of Colorado Foundation Project) 5.00% 7/1/27 (AMBAC)	4,000,000	4,118,560
(University of Denver Project) 5.50% 3/1/21 (AMBAC)	3,200,000	3,475,136
(University of Northern Colorado) 5.00% 7/1/31 (MBIA)	2,500,000	2,554,300
Colorado Springs Revenue (Colorado College Project) 5.375% 6/1/32 (MBIA)	5,000,000	5,339,499
Colorado State University Systems Series B 5.00% 3/1/35 (AMBAC)	1,800,000	1,850,022
		25,042,867
Hospital Revenue Bonds - 1.95%		
Colorado Health Facilities Authority (North Colorado Medical Center) 5.95% 5/15/12 (MBIA)	1,420,000	1,469,558
		1,469,558

	Principal Amount	Market Value
MUNICIPAL BONDS (continued)		
Multifamily Housing Revenue Bonds - 3.18%		
Burlingame Multifamily Housing Revenue Series A 6.00% 11/1/29 (MBIA)	$2,290,000	$ 2,400,264
		2,400,264
Municipal Lease Revenue Bonds - 15.70%		
Arapahoe County Library District Certificates of Participation 5.70% 12/15/10 (MBIA)	2,000,000	2,092,260
Aurora Certificates of Participation 5.50% 12/1/30 (AMBAC)	2,000,000	2,151,700
Broomfield City & County Certificates of Participation 5.75% 12/1/24 (AMBAC)	1,500,000	1,639,335
Eagle County Certificates of Participation 5.40% 12/1/18 (MBIA)	1,000,000	1,076,860
Lakewood Certificates of Participation 5.375% 12/1/22 (AMBAC)	2,000,000	2,152,780

Westminster Building Authority		
Certificates of Participation		
5.25% 12/1/22 (MBIA)	1,555,000	1,652,887
Westminster Certificates of Participation		
(Ice Centre Project)		
5.40% 1/15/23 (AMBAC)	1,000,000	1,064,030
		11,829,852
Parking Revenue Bonds - 3.54%		
Auraria Higher Education Center		
Parking Facilities System Revenue		
5.50% 4/1/26 (AMBAC)	2,485,000	2,665,212
		2,665,212
Political Subdivision General Obligation Bonds - 10.24%		
Arapahoe County Water & Wastewater		
Public Improvement District Refunding		
Series A 5.125% 12/1/32 (MBIA)	1,000,000	1,038,700
Centennial Downs Metropolitan District		
5.00% 12/1/28 (AMBAC)	1,000,000	1,037,590
G V R Metropolitan District		
5.75% 12/1/19 (AMBAC)	1,000,000	1,095,820
Pueblo County 5.80% 6/1/11 (MBIA)	1,405,000	1,453,149
Pueblo County (Library District Project)		
5.80% 11/1/19 (AMBAC)	1,395,000	1,530,664
Sand Creek Metropolitan District		
Refunding & Improvement		
5.00% 12/1/31 (XLCA)	500,000	512,875
Stonegate Village Metropolitan District		
Refunding & Improvement Series A		
5.50% 12/1/21 (FSA)	1,000,000	1,047,360
		7,716,158
*Pre-Refunded Bonds - 13.85%		
Archuleta & Hinsdale Counties		
School District #50JT		
5.55% 12/1/20-06 (MBIA)	4,000,000	4,222,520
Denver City & County Certificates		
of Participation Series B		
5.50% 12/1/25-10 (AMBAC)	2,000,000	2,229,940
El Paso County School District #20		
5.625% 12/15/16-06 (AMBAC)	2,800,000	2,935,128
5.625% 12/15/16-06 (MBIA)	1,000,000	1,048,260
		10,435,848

DELAWARE INVESTMENTS COLORADO INSURED MUNICIPAL INCOME FUND, INC.

STATEMENTS OF NET ASSETS (CONTINUED)

	Principal Amount	Market Value
MUNICIPAL BONDS (continued)		
School District General Obligation Bonds - 10.24%		
Adams & Arapahoe Counties		

School District #28J		
5.00% 12/1/22 (FSA)	$2,000,000	$ 2,095,120
Adams County School District #1		
5.00% 12/1/16 (FSA)	1,490,000	1,595,328
Douglas County School District #Re-1		
(Douglas & Elbert Counties)		
5.00% 12/15/21 (MBIA)	1,000,000	1,038,860
Larimer Weld & Boulder Counties		
School Districts #R-2J		
5.00% 12/15/15 (FSA)	1,950,000	2,117,641
Weld & Adams Counties		
School District RE-3J		
5.00% 12/15/24 (FSA)	830,000	869,276
		7,716,225
Turnpike/Toll Road Revenue Bonds - 13.84%		
E-470 Public Highway Authority Series A		
5.75% 9/1/29 (MBIA)	3,000,000	3,330,900
5.75% 9/1/35 (MBIA)	1,700,000	1,887,510
Northwest Parkway Public Highway		
Authority Series A 5.25% 6/15/41 (FSA)	5,000,000	5,214,500
		10,432,910
Water & Sewer Revenue Bonds - 12.46%		
Colorado Water Resources & Power		
Development Authority Small		
Water Resources Revenue Series A		
5.80% 11/1/20 (FGIC)	2,000,000	2,212,160
Colorado Water Resources & Power		
Development Authority Water		
Resources Revenue		
(Parker Water & Sanitation District)		
5.125% 9/1/34 (MBIA)	1,500,000	1,564,125
5.25% 9/1/43 (MBIA)	2,000,000	2,098,680
Lafayette Water Revenue Series A		
5.00% 12/1/27 (MBIA)	1,100,000	1,140,238
Ute Utility Water Conservancy District		
Water Revenue 5.75% 6/15/20 (MBIA)	2,155,000	2,377,418
		9,392,621
TOTAL MUNICIPAL BONDS (cost $106,882,293)		113,323,559
SHORT-TERM INVESTMENTS - 0.66%		
Variable Rate Demand Notes - 0.66%		
oColorado Health Facilities Authority		
Revenue 2.28% 12/1/20	500,000	500,000
TOTAL SHORT-TERM INVESTMENTS (cost $500,000)		500,000
TOTAL MARKET VALUE OF SECURITIES - 151.03%		
(cost $107,382,293)		$113,823,559
RECEIVABLES AND OTHER ASSETS NET		
OF LIABILITIES - 2.05%		1,540,463
LIQUIDATION VALUE OF PREFERRED STOCK - (53.08%)		(40,000,000)
NET ASSETS APPLICABLE TO 4,837,100 SHARES		
OUTSTANDING - 100.00%		$75,364,022

	==========
Net Asset Value Per Common Share ($75,364,022 / 4,837,100 Shares)	$15.58

COMPONENTS OF NET ASSETS AT MARCH 31, 2005:	
Common stock, $0.01 par value, 200 million shares authorized to the Fund	$67,238,110
Undistributed net investment income	1,685,741
Accumulated net realized loss on investments	(1,095)
Net unrealized appreciation of investments	6,441,266

Total net assets	$75,364,022
	==========

*Pre-Refunded Bonds are 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-funded. See Note 6 in "Notes to Financial Statements."

oVariable rate notes. The interest rate shown is the rate as of March 31, 2005.

SUMMARY OF ABBREVIATIONS:
AMBAC - Insured by the AMBAC Assurance Corporation
FGIC - Insured by the Financial Guaranty - Insured by the Federal Housing Administration
FSA - Insured by the Financial Security Assurance
GNMA - Insured by Government National Mortgage Association
MBIA - Insured by the Municipal Bond Insurance Association
XLCA - Insured by XL Capital Assurance

See accompanying notes

STATEMENTS OF OPERATIONS — DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS
Year Ended March 31, 2005

	Delaware Investments Minnesota Municipal Income Fund, Inc.	Delaware Investments Minnesota Municipal Income Fund II, Inc
INVESTMENT INCOME:		
Interest	$2,805,252	$8,517,640
	----------	----------
EXPENSES:		
Management fees	232,006	674,164
Accounting and administration expenses	85,000	85,000
Remarketing Agent fees	50,354	150,815
Dividend disbursing and transfer agent fees and expenses	40,318	58,423
Legal and professional fees	38,703	47,348
Rating Agency fees	9,000	6,416

Reports and statements to shareholders	7,387	22,481
Taxes (other than taxes on income)	6,948	17,237
Directors'/Trustees' Fees	4,571	7,953
Pricing fees	3,454	5,973
Custodian fees	2,279	4,888
Stock exchange fees	2,258	6,282
Other	995	2,988
	483,273	1,089,968
Less expenses paid indirectly	(2,197)	(4,763)
Total expenses	481,076	1,085,205
NET INVESTMENT INCOME	2,324,176	7,432,435
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain on investments	268,227	257,523
Net change in unrealized appreciation/depreciation of investments	(1,027,949)	(2,017,417)
NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS	(759,722)	(1,759,894)
DIVIDENDS ON PREFERRED STOCK	(305,320)	(927,702)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$1,259,134	$4,744,839

See accompanying notes

STATEMENTS OF OPERATIONS (CONTINUED) DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS

	Delaware Investments Arizona Municipal Income Fund, Inc.	Delaware Investments Florida Insure Municipal Income Fund
INVESTMENT INCOME:		
Interest	$3,387,872	$3,030,906
EXPENSES:		
Management fees	280,164	231,637
Accounting and administration expenses	85,000	85,000
Remarketing Agent fees	62,851	50,299
Legal and professional fees	38,420	41,301
Dividend disbursing and transfer agent fees and expenses	22,475	26,477
Reports and statements to shareholders	15,262	13,189
Rating Agency fees	12,381	11,663
Taxes (other than taxes on income)	6,424	695
Directors'/Trustees' Fees	3,163	5,156
Custodian fees	2,861	2,213
Pricing fees	2,759	2,369
Stock exchange fees	1,970	2,742
Other	1,655	1,046

	535,385	473,787
Less expenses paid indirectly	(2,861)	(2,156)
Total expenses	532,524	471,631
NET INVESTMENT INCOME	2,855,348	2,559,275
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain on investments	83,408	286,142
Net change in unrealized appreciation/depreciation of investments	(1,080,216)	(1,915,443)
NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS	(996,808)	(1,629,301)
DIVIDENDS ON PREFERRED STOCK	(361,013)	(297,142)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$1,497,527	$ 632,832

See accompanying notes

STATEMENTS OF CHANGES IN NET ASSETS — DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS

	Delaware Investments Minnesota Municipal Income Fund, Inc.	
	Year Ended	
	3/31/05	3/31/04
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS:		
Net investment income	$ 2,324,176	$ 2,592,109
Net realized gain on investments	268,227	650,891
Net change in unrealized appreciation/depreciation of investments	(1,027,949)	(316,556)
Dividends on preferred stock	(305,320)	(262,664)
Net increase in net assets resulting from operations	1,259,134	2,663,780
DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:		
Net investment income	(2,471,452)	(2,432,531)
Net realized gain on investments	(28,542)	(1,375,191)
	(2,499,994)	(3,807,722)
NET INCREASE (DECREASE) IN NET ASSETS	(1,240,860)	(1,143,942)
NET ASSETS:		
Beginning of period	38,978,454	40,122,396
End of period	$37,737,594	$38,978,454

Undistributed net investment income	$389,101	$805,302

	Delaware Investments Minnesota Municipal Income Fund III, Inc.	
	Year Ended	
	3/31/05	3/31/04
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS:		
Net investment income	$ 1,765,004	$ 1,898,759
Net realized gain on investments	114,703	562,903
Net change in unrealized appreciation/depreciation of investments	(762,302)	(350,631)
Dividends on preferred stock	(235,128)	(152,709)
Net increase in net assets resulting from operations	882,277	1,958,322
DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:		
Net investment income	(1,763,712)	(1,616,736)
Net realized gain on investments	--	--
	(1,763,712)	(1,616,736)
NET INCREASE (DECREASE) IN NET ASSETS	(881,435)	341,586
NET ASSETS:		
Beginning of period	26,601,180	26,259,594
End of period	$25,719,745	$26,601,180
Undistributed net investment income	$522,026	$758,251

See accompanying notes

DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS

STATEMENTS
OF CHANGES IN NET ASSETS (CONTINUED)

	Delaware Investments Florida Insured Municipal Income Fund	
	Year Ended	
	3/31/05	3/31/04

INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS:		
Net investment income	$ 2,559,275	$ 2,634,312
Net realized gain on investments	286,142	52,390
Net change in unrealized appreciation/depreciation of investments	(1,915,443)	(362,616)
Dividends on preferred stock	(297,142)	(209,938)
Net increase in net assets resulting from operations	632,832	2,114,148
DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:		
Net investment income	(2,470,644)	(2,410,089)
Net realized gain on investments	(239,798)	(111,421)
	(2,710,442)	(2,521,510)
NET INCREASE (DECREASE) IN NET ASSETS	(2,077,610)	(407,362)
NET ASSETS:		
Beginning of period	39,243,663	39,651,025
End of period	$37,166,053	$39,243,663
Undistributed net investment income	$799,507	$985,998

FINANCIAL HIGHLIGHTS

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

	Delaware Investments Minnesota Munic		
			Year Ended
	3/31/05	3/31/04	3/31/03
NET ASSET VALUE, BEGINNING OF PERIOD	$15.020	$15.460	$14.640
INCOME (LOSS) FROM INVESTMENT OPERATIONS:			
Net investment income	0.896	0.999	1.119
Net realized and unrealized gain (loss) on investments	(0.294)	0.130	0.758
Dividends on preferred stock from:			
Net investment income	(0.117)	(0.054)	(0.094)
Net realized gain on investments	(0.001)	(0.047)	(0.008)
Total dividends on preferred stock	(0.118)	(0.101)	(0.102)
Total from investment operations	0.484	1.028	1.775
LESS DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:			
Net investment income	(0.953)	(0.938)	(0.890)
Net realized gain on investments	(0.011)	(0.530)	(0.065)
Total dividends and distributions	(0.964)	(1.468)	(0.955)

NET ASSET VALUE, END OF PERIOD	$14.540	$15.020	$15.460
MARKET VALUE, END OF PERIOD	$15.070	$16.600	$16.000
TOTAL INVESTMENT RETURN BASED ON:(2)			
Market value	(3.52%)	13.86%	17.74%
Net asset value	2.88%	6.62%	12.29%
RATIOS AND SUPPLEMENTAL DATA:			
Net assets applicable to common shares, end of period (000 omitted)	$37,738	$38,978	$40,122
Ratio of expenses to average net assets applicable to common shares(3)	1.27%	1.20%	1.21%
Ratio of net investment income to average net assets applicable to common shares(3)	6.12%	6.57%	7.35%
Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares(4)	5.31%	5.90%	6.68%
Portfolio turnover	12%	50%	38%
LEVERAGE ANALYSIS:			
Value of preferred shares outstanding (000 omitted)	$20,000	$20,000	$20,000
Net asset coverage per share of preferred shares, end of period	$144,344	$147,445	$150,306
Liquidation value per share of preferred shares(5)	$50,000	$50,000	$50,000

(1) As required, effective April 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies that require amortization of all premiums and discounts on debt securities. The effect of this change for the year ended March 31, 2002 was an increase in net investment income per share of $0.006, a decrease in net realized and unrealized gain (loss) per share of $0.006, and an increase in the ratio of net investment income to average net assets of 0.04%. Per share data and ratios for periods prior to April 1, 2001 have not been restated to reflect this change in accounting.

(2) 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.

(3) Ratios do not reflect the effect of dividend payments to preferred shareholders.

(4) Ratio reflects total net investment income less dividends paid to preferred shareholders from net investment income divided by average net assets applicable to common shareholders.

(5) Excluding any accumulated but unpaid dividends.

See accompanying notes

FINANCIAL
HIGHLIGHTS (CONTINUED)

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

	Delaware Investments Minnesota Municipal		
			Year Ended
	3/31/05	3/31/04	3/31/03
NET ASSET VALUE, BEGINNING OF PERIOD	$15.280	$15.060	$14.280
INCOME (LOSS) FROM INVESTMENT OPERATIONS:			
Net investment income	1.025	1.093	1.143
Net realized and unrealized gain (loss) on investments	(0.237)	0.207	0.689
Dividends on preferred stock from:			
Net investment income	(0.128)	(0.082)	(0.112)
Total dividends on preferred stock	(0.128)	(0.082)	(0.112)
Total from investment operations	0.660	1.218	1.720
LESS DIVIDENDS TO COMMON SHAREHOLDERS FROM:			
Net investment income	(1.050)	(0.998)	(0.940)
Total dividends	(1.050)	(0.998)	(0.940)
NET ASSET VALUE, END OF PERIOD	$14.890	$15.280	$15.060
MARKET VALUE, END OF PERIOD	$16.370	$16.800	$15.300
TOTAL INVESTMENT RETURN BASED ON:(2)			
Market value	4.02%	16.87%	15.84%
Net asset value	4.03%	7.99%	12.19%
RATIOS AND SUPPLEMENTAL DATA:			
Net assets applicable to common shares, end of period (000 omitted)	$107,958	$110,828	$109,212
Ratio of expenses to average net assets applicable to common shares(3)	1.00%	0.93%	1.03%
Ratio of net investment income to average net assets applicable to common shares(3)	6.85%	7.23%	7.74%
Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares(4)	6.00%	6.69%	6.99%
Portfolio turnover	15%	34%	22%
LEVERAGE ANALYSIS:			
Value of preferred shares outstanding (000 omitted)	$60,000	$60,000	$60,000
Net asset coverage per share of preferred shares, end			

of period	$139,965	$142,357	$141,010
Liquidation value per share of preferred shares(5)	$50,000	$50,000	$50,000

(1) As required, effective April 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies that require amortization of all premiums and discounts on debt securities. The effect of this change for the year ended March 31, 2002 was an increase in net investment income per share of $0.003, a decrease in net realized and unrealized gain (loss) per share of $0.003, and an increase in the ratio of net investment income to average net assets of 0.02%. Per share data and ratios for periods prior to April 1, 2001 have not been restated to reflect this change in accounting.

(2) 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.

(3) Ratios do not reflect the effect of dividend payments to preferred shareholders.

(4) Ratio reflects total net investment income less dividends paid to preferred shareholders from net investment income divided by average net assets applicable to common shareholders.

(5) Excluding any accumulated but unpaid dividends.

See accompanying notes

FINANCIAL
HIGHLIGHTS (CONTINUED)

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

	Delaware Investments Minnesota Municip		
			Year Ended
	3/31/05	3/31/04	3/31/03
NET ASSET VALUE, BEGINNING OF PERIOD	$14.480	$14.290	$13.230
INCOME (LOSS) FROM INVESTMENT OPERATIONS:			
Net investment income	0.961	1.034	1.084
Net realized and unrealized gain (loss) on investments	(0.353)	0.119	0.918
Dividends on preferred stock from:			
Net investment income	(0.128)	(0.083)	(0.112)
Total dividends on preferred stock	(0.128)	(0.083)	(0.112)

Total from investment operations	0.480	1.070	1.890
LESS DIVIDENDS TO COMMON SHAREHOLDERS FROM:			
Net investment income	(0.960)	(0.880)	(0.830)
Total dividends	(0.960)	(0.880)	(0.830)
NET ASSET VALUE, END OF PERIOD	$14.000	$14.480	$14.290
MARKET VALUE, END OF PERIOD	$15.620	$16.160	$14.800
TOTAL INVESTMENT RETURN BASED ON:(2)			
Market value	3.00%	15.76%	20.72%
Net asset value	3.03%	7.43%	14.53%
RATIOS AND SUPPLEMENTAL DATA:			
Net assets applicable to common shares, end of period (000 omitted)	$25,720	$26,601	$26,260
Ratio of expenses to average net assets applicable to common shares(3)	1.33%	1.23%	1.32%
Ratio of net investment income to average net assets applicable to common shares(3)	6.82%	7.20%	7.80%
Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares(4)	5.92%	6.62%	6.99%
Portfolio turnover	12%	41%	23%
LEVERAGE ANALYSIS:			
Value of preferred shares outstanding (000 omitted)	$15,000	$15,000	$15,000
Net asset coverage per share of preferred shares, end of period	$135,732	$138,670	$137,532
Liquidation value per share of preferred shares(5)	$50,000	$50,000	$50,000

(1) As required, effective April 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies that require amortization of all premiums and discounts on debt securities. The effect of this change for the year ended March 31, 2002 was an increase in net investment income per share of $0.007, a decrease in net realized and unrealized gain (loss) per share of $0.007, and an increase in the ratio of net investment income to average net assets of 0.04%. Per share data and ratios for periods prior to April 1, 2001 have not been restated to reflect this change in accounting.

(2) 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.

(3) Ratios do not reflect the effect of dividend payments to preferred shareholders.

(4) Ratio reflects total net investment income less dividends paid to preferred shareholders from net investment income divided by average net assets applicable to common shareholders.

(5) Excluding any accumulated but unpaid dividends.

See accompanying notes

FINANCIAL
HIGHLIGHTS (CONTINUED)

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

	Delaware Investments Arizona Munic		
			Year Ended
	3/31/05	3/31/04	3/31/03
NET ASSET VALUE, BEGINNING OF PERIOD	$15.570	$15.480	$14.650
INCOME (LOSS) FROM INVESTMENT OPERATIONS:			
Net investment income	0.956	1.020	1.067
Net realized and unrealized gain (loss) on investments	(0.332)	0.276	0.988
Dividends on preferred stock from:			
Net investment income	(0.118)	(0.075)	(0.103)
Net realized gain on investments	(0.003)	(0.016)	(0.018)
Total dividends on preferred stock	(0.121)	(0.091)	(0.121)
Total from investment operations	0.503	1.205	1.934
LESS DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:			
Net investment income	(0.960)	(0.960)	(0.940)
Net realized gain on investments	(0.043)	(0.155)	(0.164)
Total dividends and distributions	(1.003)	(1.115)	(1.104)
NET ASSET VALUE, END OF PERIOD	$15.070	$15.570	$15.480
MARKET VALUE, END OF PERIOD	$15.390	$16.560	$15.490
TOTAL INVESTMENT RETURN BASED ON:(2)			
Market value	(0.78%)	14.64%	12.74%
Net asset value	3.34%	7.86%	13.44%
RATIOS AND SUPPLEMENTAL DATA:			
Net assets applicable to common shares, end of period (000 omitted)	$44,936	$46,429	$46,167
Ratio of expenses to average net assets applicable to common shares(3)	1.18%	1.05%	1.16%

Ratio of net investment income to average net assets applicable to common shares(3)	6.34%	6.63%	6.96%
Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares(4)	5.54%	6.04%	6.18%
Portfolio turnover	8%	30%	24%
LEVERAGE ANALYSIS:			
Value of preferred shares outstanding (000 omitted)	$25,000	$25,000	$25,000
Net asset coverage per share of preferred shares, end of period	$139,872	$142,858	$142,334
Liquidation value per share of preferred shares(5)	$50,000	$50,000	$50,000

(1) As required, effective April 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies that require amortization of all premiums and discounts on debt securities. The effect of this change for the year ended March 31, 2002 was an increase in net investment income per share of $0.002, a decrease in net realized and unrealized gain (loss) per share of $0.002, and an increase in the ratio of net investment income to average net assets of 0.02%. Per share data and ratios for periods prior to April 1, 2001 have not been restated to reflect this change in accounting.

(2) 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.

(3) Ratios do not reflect the effect of dividend payments to preferred shareholders.

(4) Ratio reflects total net investment income less dividends paid to preferred shareholders from net investment income divided by average net assets applicable to common shareholders.

(5) Excluding any accumulated but unpaid dividends.

See accompanying notes

FINANCIAL
HIGHLIGHTS (CONTINUED)

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

	Delaware Investments Florida Insured M		
	Year Ended		
	3/31/05	3/31/04	3/31/03

NET ASSET VALUE, BEGINNING OF PERIOD	$16.200	$16.370	$15.150
INCOME (LOSS) FROM INVESTMENT OPERATIONS:			
Net investment income	1.057	1.088	1.084
Net realized and unrealized gain (loss) on investments	(0.675)	(0.130)	1.186
Dividends on preferred stock from:			
Net investment income	(0.114)	(0.082)	(0.109)
Net realized gain on investments	(0.009)	(0.005)	--
Total dividends on preferred stock	(0.123)	(0.087)	(0.109)
Total from investment operations	0.259	0.871	2.161
LESS DIVIDENDS TO COMMON SHAREHOLDERS FROM:			
Net investment income	(1.020)	(0.995)	(0.941)
Net realized gain on investments	(0.099)	(0.046)	--
Total dividends	(1.119)	(1.041)	(0.941)
NET ASSET VALUE, END OF PERIOD	$15.340	$16.200	$16.370
MARKET VALUE, END OF PERIOD	$15.050	$16.650	$15.050
TOTAL INVESTMENT RETURN BASED ON:(2)			
Market value	(3.02%)	18.04%	14.17%
Net asset value	1.59%	5.59%	14.92%
RATIOS AND SUPPLEMENTAL DATA:			
Net assets applicable to common shares, end of period (000 omitted)	$37,166	$39,244	$39,651
Ratio of expenses to average net assets applicable to common shares(3)	1.24%	1.11%	1.18%
Ratio of net investment income to average net assets applicable to common shares(3)	6.75%	6.70%	6.81%
Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares(4)	5.97%	6.16%	6.13%
Portfolio turnover	11%	3%	13%
LEVERAGE ANALYSIS:			
Value of preferred shares outstanding (000 omitted)	$20,000	$20,000	$20,000
Net asset coverage per share of preferred shares, end of period	$142,915	$148,110	$149,128
Liquidation value per share of preferred shares(5)	$50,000	$50,000	$50,000

(1) As required, effective April 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies that require amortization of all premiums and discounts on debt securities. This change in accounting had no effect on the Fund's results of operations for the year ended March 31, 2002. Per share data and ratios for the periods prior to April 1, 2001 have not been restated to reflect this change in accounting.

(2) 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.

(3) Ratios do not reflect the effect of dividend payments to preferred shareholders.

(4) Ratio reflects total net investment income less dividends paid to preferred shareholders from net investment income divided by average net assets applicable to common shareholders.

(5) Excluding any accumulated but unpaid dividends.

See accompanying notes

FINANCIAL
HIGHLIGHTS (CONTINUED)

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

	Delaware Investments Colorado Insured Mu		
			Year Ended
	3/31/05	3/31/04	3/31/03
NET ASSET VALUE, BEGINNING OF PERIOD	$16.110	$15.920	$14.780
INCOME (LOSS) FROM INVESTMENT OPERATIONS:			
Net investment income	1.019	1.043	1.068
Net realized and unrealized gain (loss) on investments	(0.432)	0.324	1.324
Dividends on preferred stock from:			
Net investment income	(0.124)	(0.077)	(0.098)
Net realized gain on investments	(0.003)	(0.013)	(0.023)
Total dividends on preferred stock	(0.127)	(0.090)	(0.121)
Total from investment operations	0.460	1.277	2.271
LESS DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:			
Net investment income	(0.960)	(0.960)	(0.940)
Net realized gain on investments	(0.030)	(0.127)	(0.191)
Total dividends and distributions	(0.990)	(1.087)	(1.131)
NET ASSET VALUE, END OF PERIOD	$15.580	$16.110	$15.920
MARKET VALUE, END OF PERIOD	$17.180	$16.960	$16.650

TOTAL INVESTMENT RETURN BASED ON:(2)			
Market value	7.42%	8.76%	21.31%
Net asset value	2.56%	8.05%	15.37%
RATIOS AND SUPPLEMENTAL DATA:			
Net assets applicable to common shares, end of period (000 omitted)	$75,364	$77,903	$76,988
Ratio of expenses to average net assets applicable to common shares(3)	1.03%	1.01%	1.05%
Ratio of net investment income to average net assets applicable to common shares(3)	6.51%	6.54%	6.83%
Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares(4)	5.69%	5.98%	6.08%
Portfolio turnover	5%	13%	14%
LEVERAGE ANALYSIS:			
Value of preferred shares outstanding (000 omitted)	$40,000	$40,000	$40,000
Net asset coverage per share of preferred shares, end of period	$144,205	$147,379	$146,235
Liquidation value per share of preferred shares(5)	$50,000	$50,000	$50,000

(1) As required, effective April 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies that require amortization of all premiums and discounts on debt securities. This change in accounting had no effect on the Fund's results of operations for the year ended March 31, 2002. Per share data and ratios for the periods prior to April 1, 2001 have not been restated to reflect this change in accounting.

(2) 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.

(3) Ratios do not reflect the effect of dividend payments to preferred shareholders.

(4) Ratio reflects total net investment income less dividends paid to preferred shareholders from net investment income divided by average net assets applicable to common shareholders.

(5) Excluding any accumulated but unpaid dividends.

See accompanying notes

Delaware Investments Minnesota Municipal Income Fund, Inc. ("Minnesota Municipal Fund"); Delaware Investments Minnesota Municipal Income Fund II, Inc.

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

The investment objective of each Fund is to provide high current income exempt from federal income tax and from the personal income tax of its state, if any, consistent with the preservation of capital. Florida Insured Municipal Fund will generally seek investments that will enable its shares to be exempt from Florida's intangible personal property tax. Each Fund will seek to achieve its investment objective by investing substantially all of its net assets in investment grade, tax-exempt municipal obligations of its respective state.

1. SIGNIFICANT ACCOUNTING POLICIES

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

Security Valuation -- Long-term debt securities are valued by an independent pricing service and such prices are believed to reflect the fair value of such securities. Short-term debt securities having less than 60 days to maturity are valued at amortized cost, which approximates market value. Other securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith under the direction of the Funds' Board of Trustees/Directors.

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

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 common to all funds within the Delaware Investments Family of Funds are allocated amongst the 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). Costs used in calculating realized gains and losses on the sale of investment securities are those of the specific securities sold. Interest income is recorded on the accrual basis. Discounts and premiums are amortized to interest income over the lives of the respective securities. Each Fund declares and pays dividends from net investment income monthly and distributions from net realized gain on investments, if any, annually. In addition, in order to satisfy certain distribution requirements of the Tax Reform Act of 1986, the Funds may declare special year-end dividend and capital gains distributions during November or December to shareholders of record on a date in such month. Such distributions, if received by shareholders by January 31, are deemed to have been paid by the Funds and received by shareholders on the earlier of the date paid or December 31 of the prior year.

Expenses Paid Indirectly -- 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 the above arrangement is included in custodian fees on the Statements of Operations with the corresponding expense offset shown as expenses paid indirectly. The amount of the expense for each Fund for the year ended March 31, 2005 was as follows:

	Minnesota Municipal Fund	Minnesota Municipal Fund II	Minnesota Municipal Fund III	Arizona Municipal Fund	Florida Mun F
Earnings credits	$2,197	$4,763	$1,712	$2,861	$

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 daily net assets of each Fund, including assets attributable to any preferred stock that may be outstanding.

As of September 1, 2004, DMC has voluntarily agreed to waive that portion, if any, of its management fee and reimburse the Minnesota Municipal Fund to the extent necessary to ensure that annual operating expenses, exclusive of taxes, interest, brokerage commissions, remarketing and rating agency fees, certain insurance costs and extraordinary expenses, do not exceed 0.72% of average daily net assets of the Fund, including assets attributable to any preferred stock that may be outstanding, through September 30, 2005. This waiver may be revoked at any time.

The Funds have engaged Delaware Service Company, Inc., (DSC), an affiliate of DMC, to provide accounting and administration services which are based on average net assets and paid on a monthly basis, subject to certain minimums.

2. INVESTMENT MANAGEMENT, ADMINISTRATION AGREEMENTS AND OTHER TRANSACTIONS WITH AFFILIATES (CONTINUED)

At March 31, 2005, the Funds had liabilities payable to affiliates as follows:

	Minnesota Municipal Fund	Minnesota Municipal Fund II	Minnesota Municipal Fund III	Arizona Municipal Fund
Investment management fee payable to DMC	$19,357	$56,242	$13,631	$23,429
Accounting, administration, and other expenses payable to DSC	15,125	16,903	22,735	15,302
Other expenses payable to DMC and affiliates*	6,388	15,336	3,844	7,292

*DMC, as part of its administrative services, pays operating expenses on behalf of the Funds 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 director/trustees fees.

As provided in the investment management agreement, the Funds bear the cost of certain legal services expenses, including internal legal services provided to the Funds by DMC employees. For the year ended March 31, 2005, the Delaware Investments Minnesota Municipal Income Fund, Delaware Investments Minnesota Municipal Income Fund II, Delaware Investments Minnesota Municipal Income Fund III, Delaware Investments Arizona Municipal Income Fund, Delaware Investments Florida Insured Municipal Income Fund, and Delaware Investments Colorado Insured Municipal Income Fund were charged $1,263, $2,959, $765, $1,230, $1,064, and $2,209, respectively, for internal legal services provided by DMC.

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, 2005, the Funds made purchases and sales of investment securities other than short-term investments as follows:

	Minnesota Municipal Fund	Minnesota Municipal Fund II	Minnesota Municipal Fund III	Arizona Municipal Fund
Purchases	$6,788,141	$24,615,474	$4,725,790	$5,794,702
Sales	7,483,510	28,404,831	5,829,100	7,485,212

At March 31, 2005, the cost of investments and unrealized appreciation (depreciation) for federal income tax purposes for each Fund were as follows:

	Minnesota Municipal Fund	Minnesota Municipal Fund II	Minnesota Municipal Fund III	Arizona Municipal Fund
Cost of investments	$55,128,768	$157,691,301	$38,006,719	$63,354,559
Aggregate unrealized appreciation	$ 2,121,448	$ 7,168,613	$ 1,868,447	$ 3,421,433
Aggregate unrealized depreciation	(209,015)	(611,131)	(102,935)	(154,344)
Net unrealized appreciation	$ 1,912,433	$ 6,557,482	$ 1,765,512	$ 3,267,089

4. DIVIDEND AND DISTRIBUTION INFORMATION

Income and long-term capital gain distributions are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. Additionally, net short-term gains on sales of investment securities are treated as ordinary income for federal income tax purposes. The tax character of dividends and distributions paid during the years ended March 31, 2005 and 2004 was as follows:

	Minnesota Municipal Fund		Minnesota Mu
	3/31/05	3/31/04	3/31/05
Tax-exempt income	$2,744,238	$2,538,026	$8,535,622
Ordinary income	30,198	122,453	6,890
Long-term capital gain	30,878	1,409,907	--
Total	$2,805,314	$4,070,386	$8,542,512

	Minnesota Municipal Fund III		Arizona M
	3/31/05	3/31/04	3/31/05
Tax-exempt income	$1,998,840	$1,750,401	$3,210,970
Ordinary Income	--	19,044	84,725
Long-term capital gain	--	--	56,464
Total	$1,998,840	$1,769,445	$3,352,159

	Florida Insured Municipal Fund		Colorado Ins
	3/31/05	3/31/04	3/31/05
Tax-exempt income	$2,745,766	$2,608,022	$5,245,675
Ordinary Income	--	--	14,636
Long-term capital gain	261,818	123,426	143,726
Total	$3,007,584	$2,731,448	$5,404,037

As of March 31, 2005, the components of net assets on a tax basis were as follows:

	Minnesota Municipal Fund	Minnesota Municipal Fund
Paid in capital	$35,426,619	$ 99,710,000
Undistributed tax-exempt income	389,101	2,250,617
Undistributed long-term gains	9,441	--
Capital loss carry forward	--	(560,224)
Unrealized appreciation	1,912,433	6,557,482
Net assets	$37,737,594	$107,957,875

	Arizona Municipal Fund	Florida Insured Municipal Fund
Paid in capital	$40,838,893	$33,361,389
Undistributed tax-exempt income	765,316	799,507
Undistributed long-term gains	64,461	24,324

Unrealized appreciation	3,267,089	2,980,833
Net assets	$44,935,759	$37,166,053

The difference between book basis and tax basis components of net assets are primarily attributable to tax treatment of market discounts on debt instruments.

4. DIVIDEND AND DISTRIBUTION INFORMATION (CONTINUED)
For financial reporting purposes, capital accounts are adjusted to reflect the tax character of permanent book/tax differences. For the year ended March 31, 2005, the Funds recorded the following reclassifications. Reclassifications are primarily due to tax treatment of market discounts on certain debt instruments and the expiration of capital loss carryforwards. Results of operations and net assets were not affected by these reclassifications.

	Minnesota Municipal Fund	Minnesota Municipal Fund
Undistributed net investment income	$34,059	$2,247
Accumulated realized gain (loss) on investments	(34,059)	(2,247)
Paid-in capital	--	--

	Arizona Municipal Fund
Undistributed net investment income	$(3,156)
Accumulated realized gain (loss) on investments	3,156

For federal income tax purposes in 2005, certain Funds had accumulated capital losses as of March 31, 2005, which may be carried forward and applied against future capital gains. Such capital loss carryforward amounts will expire as follows:

	2006	2008	2009	2010
Minnesota Municipal Fund II	$ --	$376,004	$175,804	$8,416
Minnesota Municipal Fund III	6,539	56,856	153,308	--

For federal income tax purposes, in 2005 Minnesota Municipal Income Funds II and Minnesota Municipal Income Funds III utilized $266,585 and $119,447, respectively, of capital loss carryforwards from prior years. Capital loss carryforward of $336,219 expired in 2005 for Minnesota Municipal Income Fund III.

5. CAPITAL STOCK
Pursuant to their articles of incorporation, Minnesota Municipal Fund, Minnesota Municipal Fund II, Minnesota Municipal Fund III, Arizona Municipal Fund and

Colorado Insured Municipal Fund each have 200 million shares of $0.01 par value common shares authorized. Florida Insured Municipal Fund has been authorized to issue an unlimited amount of $0.01 par value common shares. The Funds did not repurchase any shares under the Share Repurchase Program during the year ended March 31, 2005. Shares issuable under the Funds' dividend reinvestment plan are purchased by the Funds' transfer agent, Mellon Investor Services, LLC, in the open market.

For the year ended March 31, 2005, the Funds did not have any transactions in common shares.

The Funds each have one million shares of $0.01 par value preferred shares authorized, except for Florida Insured Municipal Fund, which has an unlimited amount of $0.01 par value preferred shares authorized. Under resolutions adopted by the Board of Directors, Minnesota Municipal Fund is allowed to issue up to 400 preferred shares, of which the entire amount was issued on August 6, 1992. On May 14, 1993, Minnesota Municipal Fund II, Arizona Municipal Fund and Florida Insured Municipal Fund issued 1,200, 500 and 400 preferred shares, respectively. On December 10, 1993, Minnesota Municipal Fund III issued 300 preferred shares and on September 23, 1993, Colorado Insured Municipal Fund issued 800 preferred shares. The preferred shares of each Fund have a liquidation preference of $50,000 per share plus an amount equal to accumulated but unpaid dividends.

Dividends for the outstanding preferred shares of each Fund are cumulative at a rate established at the initial public offering and are typically reset every 28 days based on the results of an auction. Dividend rates (adjusted for any capital gain distributions) ranged during the year ended March 31, 2005 as follows:

Fund	Low		High
Minnesota Municipal Fund	1.02%	to	2.60%
Minnesota Municipal Fund II	1.00%	to	2.40%
Minnesota Municipal Fund III	1.05%	to	2.40%
Arizona Municipal Fund	0.95%	to	2.30%
Florida Insured Municipal Fund	0.95%	to	2.40%
Colorado Insured Municipal Fund	0.97%	to	2.35%

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

Under the 1940 Act, the Funds may not declare dividends or make other distributions on common shares or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding preferred stock is less than 200%. The preferred shares are redeemable at the option of the Funds, in whole or in part, on any dividend payment date at $50,000 per share plus any accumulated but unpaid dividends whether or not declared. The preferred shares are also subject to mandatory redemption at $50,000 per share plus any accumulated but unpaid dividends whether or not declared, if certain requirements relating to the composition of the assets and liabilities of each Fund are not satisfied. The holders of preferred shares have voting rights equal to the holders of common shares (one vote per share) and will vote together with holders of common shares as a single class. However, holders of preferred shares are also entitled to elect two of each Fund's Directors. In addition, the 1940 Act requires that along with

approval by shareholders that might otherwise be required, the approval of the holders of a majority of any outstanding preferred shares, voting separately as a class, would be required to (a) adopt any plan of reorganization that would adversely affect the preferred shares, and (b) take any action requiring a vote of security holders pursuant of Section 13(a) of the 1940 Act, including, among other things, changes in each of the Fund's subclassification as a closed-end investment company or changes in their fundamental investment restrictions.

6. CREDIT AND MARKET RISKS

The Funds concentrate their investments in securities issued by municipalities. The value of these investments may be adversely affected by new legislation within the states, regional or local economic conditions, and differing levels of supply and demand for municipal bonds. Many municipalities insure repayment for their obligations. Although bond insurance reduces the risk of loss due to default by an issuer, such bonds remain subject to the risk that market value may fluctuate for other reasons and there is no assurance that the insurance company will meet its obligations. These securities have been identified in the Statements of Net Assets.

The Funds may invest in inverse floating rate securities ("inverse floaters"), a type of derivative tax-exempt obligation 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 inverse floaters will generally be more volatile than other tax-exempt investments. Such securities are denoted on the Statements of Net Assets.

The Funds may invest in advanced refunded bonds, escrow secured bonds or defeased bonds. Under current federal tax laws and regulations, state and local government borrowers are permitted to refinance outstanding bonds by issuing new bonds. The issuer refinances the outstanding debt to either reduce interest costs or to remove or alter restrictive covenants imposed by the bonds being refinanced. A refunding transaction where the municipal securities are being refunded within 90 days or less 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 that 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, S&P, and/or 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 the Fund from disposing of them in a timely manner and at a fair price when it is necessary or desirable to do so. Such securities are denoted on the Statements of Net Assets.

7. CONTRACTUAL OBLIGATIONS

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

8. TAX INFORMATION (UNAUDITED)

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

For the fiscal year ended March 31, 2005, each Fund designates distributions paid during the year as follows:

	Long-Term Capital Gains Distributions	Ordinary Income Distributions	Tax Exempt Income	To Distri (Tax
Minnesota Municipal Fund	1%	1%	98%	
Minnesota Municipal Fund II	--	1%	99%	
Minnesota Municipal Fund III	--	--	100%	
Arizona Municipal Fund	2%	3%	95%	
Florida Insured Municipal Fund	9%	--	91%	
Colorado Insured Municipal Fund	3%	--	97%	

REPORT
OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors/Trustees

Delaware Investments Minnesota Municipal Income Fund, Inc.
Delaware Investments Minnesota Municipal Income Fund II, Inc.
Delaware Investments Minnesota Municipal Income Fund III, Inc.
Delaware Investments Arizona Municipal Income Fund, Inc.
Delaware Investments Florida Insured Municipal Income Fund
Delaware Investments Colorado Insured Municipal Income Fund, Inc.

We have audited the accompanying statements of net assets of Delaware Investments Minnesota Municipal Income Fund, Inc., Delaware Investments Minnesota Municipal Income Fund II, Inc., Delaware Investments Minnesota Municipal Income Fund III, Inc., Delaware Investments Arizona Municipal Income Fund, Inc., Delaware Investments Florida Insured Municipal Income Fund and Delaware Investments Colorado Insured Municipal Income Fund, Inc. ("the Funds"), as of March 31, 2005, 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, 2005, by correspondence with the custodian and brokers. 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 the respective Funds at March 31, 2005, 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.

Ernst & Young LLP

Philadelphia, Pennsylvania
May 12, 2005

DELAWARE INVESTMENTS FAMILY OF FUNDS
BOARD OF TRUSTEES/DIRECTORS AND OFFICERS ADDENDUM

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 that perform services for the fund. The independent fund trustees, in particular, are advocates for shareholder interests. The following is a list of the Trustees and Officers with certain background and related information.

NAME, ADDRESS AND BIRTHDATE	POSITION(S) HELD WITH FUND(S)	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
INTERESTED TRUSTEES			
JUDE T. DRISCOLL(2) 2005 Market Street Philadelphia, PA	Chairman, President, Chief Executive	5 Years - Executive Officer	Since August 2000, Mr. Driscoll has served various executive capacit

19103	Officer and Trustee(2)	1 Year - Trustee	at different times at Delaware Investments(1
March 10, 1963			Senior Vice President a Director of Fixed-Income Pro Conseco Capital Managem (June 1998 - August 20
INDEPENDENT TRUSTEES			
THOMAS L. BENNETT 2005 Market Street Philadelphia, PA 19103	Trustee	Since March 23, 2005	Private Investor - (March 2004 - Present)
October 4, 1947			Investment Manager - Morgan Stanley & Co. (January 1984 - March 2004
JOHN A. FRY 2005 Market Street Philadelphia, PA 19103	Trustee	4 Years	President - Franklin & Marshall Colleg (June 2002 - Present)
May 28, 1960			Executive Vice Presiden University of Pennsylva (April 1995 - June 200
ANTHONY D. KNERR 2005 Market Street Philadelphia, PA 19103	Trustee	12 Years	Founder/Managing Directo Anthony Knerr & Associa (Strategic Consulting (1990 - Present)
December 7, 1938			
LUCINDA S. LANDRETH 2005 Market Street Philadelphia, PA 19103	Trustee	Since March 23, 2005	Chief Investment Office Assurant, Inc. (Insurance) (2002 - 2004)
June 24, 1947			
ANN R. LEVEN 2005 Market Street Philadelphia, PA 19103	Trustee	16 Years	Treasurer/Chief Fiscal Of National Gallery of Art (1994 - 1999)
November 1, 1940			

NAME, ADDRESS AND BIRTHDATE	POSITION(S) HELD WITH FUND(S)	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
INDEPENDENT TRUSTEES (CONTINUED)			

THOMAS F. MADISON 2005 Market Street Philadelphia, PA 19103 February 25, 1936	Trustee	11 Years	President/Chief Executive Officer - MLM Partners, Inc. (Small Business Investi and Consulting) (January 1993 - Present
JANET L. YEOMANS 2005 Market Street Philadelphia, PA 19103 July 31, 1948	Trustee	6 Years	Vice President/Mergers Acquisitions - 3M Corporat (January 2003 - Presen Ms. Yeomans has held various management positi at 3M Corporation since 1
J. RICHARD ZECHER 2005 Market Street Philadelphia, PA 19103 July 3, 1940	Trustee	Since March 23, 2005	Founder - Investor Analytics (Risk Management) (May 1999 - Present)

OFFICERS

MICHAEL P. BISHOF 2005 Market Street Philadelphia, PA 19103 August 18, 1962	Senior Vice President and Chief Financial Officer	Chief Financial Officer since February 17, 2005	Mr. Bishof has served various executive capaci at different times at Delaware Investments
RICHELLE S. MAESTRO 2005 Market Street Philadelphia, PA 19103 November 26, 1957	Executive Vice President, Chief Legal Officer and Secretary	2 Years	Ms. Maestro has serve various executive capac at different times Delaware Investment
JOHN J. O'CONNOR 2005 Market Street Philadelphia, PA 19103 June 16, 1957	Senior Vice President and Treasurer	Treasurer since February 17, 2005	Mr. O'Connor has serve various executive capac at different times Delaware Investment

(1) Delaware Investments is the marketing name for Management Holdings, Inc. and its subsidiaries, including the Fund's(s') investment advisor, principal underwriter and its transfer agent.

(2) Mr. Driscoll is considered to be an "Interested Trustee" because he is an executive officer of the Fund's(s') manager and distributor.

(3) Mr. Bishof, Ms. Maestro and Mr. O'Connor also 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/Directors and Officers and is available, without charge, upon request by calling 800 523-1918.

Delaware
Investments(R)

A member of Lincoln Financial Group

This annual report is for the information of Delaware Investments Closed-End Municipal Bond Funds shareholders. The return and principal value of an investment in each Fund will fluctuate so that shares, when sold, may be worth more or less than their original cost. 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 TRUSTEES

JUDE T. DRISCOLL
Chairman
Delaware Investments Family of Funds
Philadelphia, PA

THOMAS L. BENNETT
Private Investor
Rosemont, PA

JOHN A. FRY
President
Franklin & Marshall College
Lancaster, PA

ANTHONY D. KNERR
Managing Director
Anthony Knerr & Associates
New York, NY

LUCINDA S. LANDRETH
Former Chief Investment Officer
Assurant, Inc.
Philadelphia, PA

ANN R. LEVEN
Former Treasurer/Chief Fiscal Officer
National Gallery of Art
Washington, DC

THOMAS F. MADISON
President and Chief Executive Officer

AFFILIATED OFFICERS

MICHAEL P. BISHOF
Senior Vice President and
Chief Financial Officer
Delaware Investments Family of Funds
Philadelphia, PA

RICHELLE S. MAESTRO
Executive Vice President,
Chief Legal Officer and Secretary
Delaware Investments Family of Funds
Philadelphia, PA

JOHN J. O'CONNOR
Senior Vice President and Treasurer
Delaware Investments Family of Funds
Philadelphia, PA

Each Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. Each Fund's 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 is available without charge (i) upon request, by calling 800 523-1918; (ii) on each

CONTACT INF

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WEB SITE
www.delawar

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Minnesota M

MLM Partners, Inc.
Minneapolis, MN

JANET L. YEOMANS
Vice President/Mergers & Acquisitions
3M Corporation
St. Paul, MN

J. RICHARD ZECHER
Founder
Investor Analytics
Scottsdale, AZ

Thomas F. Madison and Janet L. Yeomans were elected by the preferred shareholders of the Delaware Investments Closed-End Municipal Bond Funds.

Fund's Web site at http://www.delawareinvestments.com; and (iii) on the Commission's Web site at http://www.sec.gov. Each Fund's Forms N-Q may be reviewed and copied at the Commission's Public Reference Room in Washington, DC; information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

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 Delaware Investments' internet website at 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 website within five business days of such amendment or waiver and will remain on the website 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.

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 (1)
Thomas F. Madison
Janet L. Yeomans (1)
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 $18,950 for the fiscal year ended March 31, 2005.

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 $16,950 for

the fiscal year ended March 31, 2004.

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(1) 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 had 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. The Board of Trustees/Directors has determined that Ms. Yeomans qualifies as an audit committee financial expert by virtue of her education and experience as the Treasurer of a large global corporation.

(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 $6,700 for the fiscal year ended March 31, 2005. 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: agreed upon procedures with respect to the preferred stock rating agency reports.

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 $21,350 for the registrant's fiscal year ended March 31, 2005. 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 agreed-upon procedures reports to the registrant's Board in connection with the annual fund accounting service agent contract renewal and the pass-through of internal legal costs relating to the operations of the registrant.

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 $9,900 for the fiscal year ended March 31, 2004. 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: quarterly agreed upon procedures with respect to the preferred stock rating agency reports.

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 $15,750 for the registrant's fiscal year ended March 31, 2004. 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 agreed-upon procedures reports to the registrant's Board in connection with the annual fund accounting service agent contract renewal and the pass-through of internal legal costs relating to the operations of the registrant.

(c) Tax fees.

The aggregate fees billed by the registrant's independent auditors for tax-related services provided to the registrant were $1,750 for the fiscal year ended March 31, 2005. 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 return and review of annual excise distribution calculation.

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, 2005.

The aggregate fees billed by the registrant's independent auditors for tax-related services provided to the registrant were $1,250 for the fiscal year ended March 31, 2004. 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 return and review of annual excise distribution calculation.

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, 2004.

(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, 2005.

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, 2005.

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, 2004.

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, 2004.

(e) The registrant's Audit Committee has not established pre-approval policies and procedures as permitted by Rule 2-01(c)(7)(i)(B) of Regulation S-X.

(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 $235,084 and $166,625 for the registrant's fiscal years ended March 31, 2005 and March 31, 2004, 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, Thomas F. Madison, Janet L. Yeomans and J. Richard Zecher.

Item 6. Schedule of Investments

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

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) (including any sub-adviser) (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. Information (if any) regarding how the registrant voted proxies relating to portfolio securities during the most recent 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.

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 management compensation plans are generally determined on a case-by-case basis; (vii) generally vote for reports on the level of greenhouse gas emissions from a company's operations and products; and (viii) generally vote for proposals requesting the company to report on its policies and practices related to social, environmental and economic sustainability.

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

Applicable to Form N-CSRs filed for fiscal years ending on or after December 31, 2005.

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.

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.

SIGNATURES

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 MINNESOTA MUNICIPAL INCOME FUND III, INC.

JUDE T. DRISCOLL

By: Jude T. Driscoll

Title: Chief Executive Officer
Date: June 7, 2005

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.

JUDE T. DRISCOLL

By: Jude T. Driscoll

Title: Chief Executive Officer
Date: June 7, 2005

MICHAEL P. BISHOF
By: Michael P. Bishof
Title: Chief Financial Officer
Date: June 7, 2005