

DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC

Form N-CSR

June 03, 2004

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, 2004

Item 1. Reports to Stockholders

Delaware
Investments (SM)

A member of Lincoln Financial Group(R)

CLOSED END

Annual Report MARCH 31, 2004

DELAWARE INVESTMENTS CLOSED-END
MUNICIPAL BOND FUNDS

[LOGO] POWERED BY RESEARCH.(SM)

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DIVIDEND REINVESTMENT PLANS

Each Fund offers an automatic dividend reinvestment program. If Fund shares are registered in your name and you are not already reinvesting dividends but would like to do so, contact the dividend plan agent, Mellon Investor Services, 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.

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PORTFOLIO
MANAGEMENT REVIEW

DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS
April 8, 2004

FUND MANAGERS

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

Patrick P. Coyne
Executive Vice President/Managing Director/Chief Investment Officer -
Fixed Income
Minnesota Municipal Income Funds I, II, III,
Florida Insured Municipal Income Fund

Denise Franchetti
Portfolio Manager
Minnesota Municipal Income Funds I, II, III,
Florida Insured Municipal Income Fund

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

MINNESOTA MUNICIPAL INCOME FUNDS I, II, and III

Q: WHAT KIND OF ENVIRONMENT FOR MUNICIPAL INVESTING DID

YOU ENCOUNTER IN MINNESOTA DURING THE REPORTING PERIOD?

A: Minnesota's economy continued to emerge from recession but generally remained in solid financial shape compared to most other states. The state benefited from a high degree of personal wealth, a diversified employment base, and low unemployment relative to the national average. These factors led credit-rating agency Standard & Poor's to maintain its AAA rating--the highest possible--on Minnesota's general obligation (GO) debt. In June 2003, however, Moody's, another leading credit rating institution, downgraded the state's GOs from Aaa to Aa1 with a stable outlook. Moody's cited Minnesota's deteriorating financial strength because of substantial spending commitments, a decrease in financial reserves, and overly optimistic revenue projections.

New municipal issuance in the state surpassed \$6.1 billion in 2003, representing a 14 percent drop from the prior year's total. In the first quarter of 2004, however, new supply in the state totaled \$1.2 billion, an 85 percent increase in issuance over the same time period a year earlier (Source: The Bond Buyer).

Q: HOW DID THE MINNESOTA MUNICIPAL INCOME FUNDS
PERFORM DURING THE FISCAL YEAR?

A: For the 12-month period ended March 31, 2004, Minnesota Municipal Income Funds I, II, and III returned +6.62%, +7.99%, and +7.43%*, respectively (all returns reflect shares at net asset value with distributions reinvested). For the same period, Minnesota Municipal Income Funds I, II, and III returned +13.86%, +16.87%, and +15.76%, respectively (all returns reflect shares at market price with distributions reinvested). All three Funds outperformed their national benchmark, the Lehman Brothers Municipal Bond Index, which gained +5.86%. The Funds' dividends from net investment income during the past 12 months were exempt from federal income and Minnesota state personal income taxes.+

We attribute much of the Funds' outperformance relative to the Lehman Brothers Municipal Bond Index to the presence of older bonds in the portfolio. We opted to hold onto these securities, issued during more favorable interest-rate environments, because they offered higher amounts of coupon income. In our view, selling these bonds would have passed along unwanted capital gains to our shareholders as well as lowered the Funds' overall yields.

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 Fund 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, 2004, we believed the Funds were well-positioned for the possibility of higher interest rates that are likely to accompany continued economic growth.

* Past performance is not a guarantee of future results.

+ A portion of the income from tax-exempt funds may be subject to the alternative minimum tax.

When making new investments, we continued to emphasize public-power revenue bonds, which at period-end made up 25.97%, 6.69%, and 17.06% 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 some of their investor-owned counterparts, the public-power 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 experienced 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: HOW DID THE FUND PERFORM DURING THE PERIOD?

A: During the 12-month period ended March 31, 2004, the Fund returned +7.86%* (shares at net asset value with distributions reinvested). For the same period, Arizona Municipal Income Fund returned +14.64% (shares at market price with distributions reinvested). For the same period, the benchmark Lehman Brothers Municipal Bond Index rose +5.86%. The Fund's dividends from net investment income during the past 12 months were exempt from federal income and Arizona state personal income taxes.+ The Fund's performance includes two major components: tax-free dividend income as well as capital appreciation driven primarily by modestly declining interest rates during the period.

Q: CAN YOU DESCRIBE SOME ASPECTS OF THE ARIZONA MUNICIPAL BOND MARKET?

A: Over the past decade, growth has been driven by the high technology sector and the relatively inexpensive cost of land and housing, in comparison to Southern California. Standard & Poor's recently assigned an AA- rating to Arizona, reflecting the state's declining tax collections and its low, but increasing, debt burden.

Because of Arizona's reliance on the high technology industry, its economic recovery has lagged the nation as a whole. That has led to relatively high vacancies in commercial real estate projects, which in turn affected some bonds in the portfolio. In one instance, a Ginnie Mae bond issued to finance apartment complexes was called by the lender at par because vacancies in the project exceeded a certain level. On the positive side, a number of bonds were "advance refunded" by issuers seeking to take advantage of lower interest rates, which effectively shortens the bonds' maturity, increases credit quality, and boosts prices.

*Past performance is not a guarantee of future results.

+ A portion of the income from tax-exempt funds may be subject to the alternative minimum tax.

FLORIDA INSURED MUNICIPAL INCOME FUND

Q: WHAT KIND OF ENVIRONMENT FOR MUNICIPAL INVESTING DID YOU ENCOUNTER IN FLORIDA DURING THE REPORTING PERIOD?

A: Florida maintained a strong economy during the past 12 months, thanks in large part to the state's healthy tourism sector. Florida's unemployment rate remained stable and below the national average. Florida's revenues, accumulated primarily through sales taxes, were strong throughout the period, despite the national recession. The state enjoyed a revenue surplus for the 2003 fiscal year and was expected to see the same in 2004 (Source: Standard & Poor's). A strong financial reserve fund added to Florida's fiscal strength. At period end, the state's tax-secured general obligation debt had a credit rating of AA+ from Standard & Poor's and a comparable Aa2 rating from Moody's. Both ratings reflected the state's rising debt levels.

Florida, the nation's fifth-leading issuer of municipal debt in 2003, brought \$21 billion in new supply to market that year, representing a 14 percent increase over the prior year's total. Issuance tailed off dramatically during the first three months of 2004, however, as new supply fell more than 40 percent compared to the first three months of 2003 (Source: The Bond Buyer).

Q: HOW DID THE FLORIDA INSURED MUNICIPAL INCOME FUND PERFORM DURING THE FISCAL YEAR?

A: For the 12-month period ended March 31, 2004, Florida Insured Municipal Income Fund returned +5.59%* (shares at net asset value with distributions reinvested). For the same period, Florida Insured Municipal Income Fund returned +18.04% (shares at market price with distributions reinvested). During the same period, the benchmark Lehman Brothers Municipal Bond Index gained +5.86%. The Fund's dividends from net investment income during the year were exempt from federal income and Florida intangible personal property taxes.+

The Fund's return at net asset value, which underperformed the Lehman Brothers index, can be attributed to a short duration caused by having an overweighted position in pre-refunded bonds. While these bonds provide desirable yield to the portfolio, they do not benefit from price performance during a declining interest rate environment.

Q: WHAT WAS YOUR STRATEGY IN MANAGING THE FUND?

A: We made relatively few changes to the portfolio during the reporting period. With rates near historically low levels, we did not believe it was in the shareholders' best interest to sell the Fund's older bonds issued during a more attractive interest-rate environment. Doing so would have sacrificed yield as well as resulted in taxable capital gains that would have passed through to investors. With just over three percent of the Fund's assets maturing or called from the portfolio during the period, turnover was very modest. As we mentioned, this management strategy had a somewhat negative effect on the Fund's results during the period. As bonds get closer to maturity, they become less sensitive to declining interest rates. Since declining interest rates benefit bonds, the Fund was not as well positioned to benefit as rates fell. However, we believe that the portfolio's somewhat defensive stance will have a positive influence on performance if interest rates do ultimately increase, as expected.

COLORADO INSURED MUNICIPAL INCOME FUND

Q: WHAT STRATEGIES WERE IMPLEMENTED DURING THE PERIOD?

A: The Fund is managed very conservatively in terms of "duration," a measure of a bond fund's sensitivity to interest rate changes. The shorter the duration, the less the bond fund's price will increase for a given decline in interest rates. We maintained a shorter duration at a time when interest rates were declining, which we believed was a prudent decision given the strengthening economy. Typically, when the economy is recovering, interest rates rise as the demand for credit intensifies and investors demand higher returns to compensate for anticipated inflation.

In addition to its short duration, the Fund only holds AAA-rated insured bonds, the highest possible quality. Issuers include education (Colorado State University System), healthcare (North Colorado Medical Center), as well as a number of bonds financing housing, water, and other utility projects. The Fund contains no bonds that are subject to the alternative minimum tax (AMT), which is significant because an increasing number of taxpayers are subject to the AMT.

* Past performance is not a guarantee of future results.

+ A portion of the income from tax-exempt funds may be subject to the alternative minimum tax.

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Q: HOW DID THE FUND PERFORM DURING THE FISCAL YEAR?

A: During the 12-month period ended March 31, 2004, the Fund returned +8.05%* (shares at net asset value with distributions reinvested). For the same period, Colorado Municipal Income Fund returned +8.77% (shares at market price with distributions reinvested). For the same period, the benchmark Lehman Brothers Municipal Bond Index rose +5.86%. The Fund's dividends from net investment income during the past 12 months were exempt from federal income and Colorado state personal income taxes.+

The Fund's performance included two major components: tax-free dividend income as well as capital appreciation driven primarily by modestly declining interest rates during the period. Since there are no other closed-end Colorado municipal bond funds, the Lipper peer group to which it is compared is not truly an "apples-to-apples" comparison, but serves as a general peer group comparison.

* Past performance is not a guarantee of future results.

+ A portion of the income from tax-exempt funds may be subject to the alternative minimum tax.

DELAWARE INVESTMENTS
MINNESOTA MUNICIPAL
INCOME FUNDS I, II, III

FUND BASICS

As of March 31, 2004

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 \$38.98 million
Fund II \$110.83 million
Fund III \$26.60 million

Number of Holdings:

Fund I 53
Fund II 88
Fund III 38

Fund Start Date:

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

Your Fund Managers:

Patrick P. Coyne is a graduate of Harvard University with an MBA from the University of Pennsylvania's Wharton School. Patrick Coyne joined Delaware Investments' fixed-income department in 1990. Prior to joining Delaware Investments, he was a manager of Kidder, Peabody & Co. Inc.'s trading desk, and specialized in trading high-grade municipal bonds and municipal futures contracts.

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.

Joseph Baxter has been co-managing the Funds since April 2004, and he replaced M. L. Conery. Mr. Baxter is a graduate of LaSalle University and joined Delaware Investments in 1999. Prior to joining Delaware in

DELAWARE INVESTMENTS
ARIZONA MUNICIPAL

FUND BASICS

As of March 31, 2004

Fund Objective:

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

Total Fund Net Assets:

\$46.43 million

Number of Holdings:

44

Fund Start Date:

February 26, 1993

Your Fund Managers:

Andrew M. McCullagh joined the Fund in 1997, after holding positions at Kidder, Peabody & Co. Inc. and Washington College. He received a B.S. in finance from the University of Wisconsin. Joseph Baxter

1999, he held investment positions with First Union. Most recently, he served as a municipal portfolio manager for the Evergreen Funds.

DELAWARE INVESTMENTS
FLORIDA INSURED MUNICIPAL
INCOME FUND

FUND BASICS

As of March 31, 2004

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:

\$39.24 million

Number of Holdings:

33

Fund Start Date:

February 26, 1993

Your Fund Managers:

Patrick P. Coyne

Denise Franchetti

Joseph Baxter has been co-managing the Fund since April 2004, and he replaced M. L. Conery.

DELAWARE INVESTMENTS
COLORADO INSURED M
INCOME FUND

FUND BASICS

As of March 31, 2004

Fund Objective:

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

Total Fund Net Assets:

\$77.90 million

Number of Holdings:

47

Fund Start Date:

July 29, 1993

Your Fund Managers:

Andrew M. McCullagh

Joseph Baxter

STATEMENTS
OF NET ASSETS

DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND, INC.
March 31, 2004

| | Principal Amount | Market Value |
|--|---------------------|-----------------|
| MUNICIPAL BONDS - 149.08% | | |
| Airport Revenue Bonds - 8.06% | | |
| Minneapolis/St. Paul Metropolitan Airports Commission Revenue Series A 5.00% 1/1/30 (AMBAC) | \$ 500,000 | \$ 514,570 |
| Minneapolis/St. Paul Metropolitan Airports Commission Revenue Series C 5.25% 1/1/32 (FGIC) | 2,500,000 | 2,626,925 |
| | | ----- |
| | | 3,141,495 |
| | | ----- |
| City General Obligation Bonds - 2.70% | | |
| Willmar (Rice Memorial Hospital Project) 5.00% 2/1/32 (FSA) | 1,000,000 | 1,051,910 |
| | | ----- |
| | | 1,051,910 |
| | | ----- |
| Continuing Care/Retirement Revenue Bonds - 6.25% | | |
| Minnetonka Housing Facilities Revenue (Beacon Hill Housing Project, Presbyterian Homes & Services) 7.70% 6/1/25 | 1,500,000 | 1,510,710 |
| St. Paul Housing & Redevelopment Authority Revenue (Franciscan Health Project) 5.40% 11/20/42 (GNMA) (FHA) | 880,000 | 924,088 |
| | | ----- |
| | | 2,434,798 |
| | | ----- |
| Corporate Backed Revenue Bonds - 4.38% | | |
| Anoka County Solid Waste Disposal National Rural Co-Op Utility (United Power Association) Series A 6.95% 12/1/08 (CFC) (AMT) | 675,000 | 680,312 |
| Sartell Environmental Improvement Revenue (International Paper) Series A 5.20% 6/1/27 | 1,000,000 | 1,027,450 |
| | | ----- |
| | | 1,707,762 |
| | | ----- |
| Escrowed to Maturity Bonds - 13.29% | | |
| Dakota/Washington Counties Housing & Redevelopment Authority Single Family Mortgage Revenue 8.375% 9/1/21 (GNMA) (FHA) (AMT) | 2,555,000 | 3,754,955 |
| Southern Minnesota Municipal Power Agency Series B 5.50% 1/1/15 (AMBAC) | 390,000 | 399,341 |
| 5.75% 1/1/11 (FGIC) | 1,000,000 | 1,024,330 |
| | | ----- |
| | | 5,178,626 |
| | | ----- |
| Higher Education Revenue Bonds - 2.97% | | |

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| | | |
|--|---------------------|--|
| University of Minnesota Series A 5.50% 7/1/21 | 1,000,000 | 1,157,670 ----- 1,157,670 ----- |
| Hospital Revenue Bonds - 19.60% | | |
| Bemidji County Health Care Facilities (North Country Health Services) 5.00% 9/1/24 (RADIAN) | 1,000,000 | 1,025,860 |
| Duluth Economic Development Authority Health Care Facilities Revenue Benedictine Health Systems (St. Mary's Hospital) 5.25% 2/15/33 | 1,250,000 | 1,279,425 |
| Minneapolis Health Care Facilities Revenue (Fairview Hospital & Healthcare Service) Series A 5.25% 11/15/19 (MBIA) | 1,500,000 | 1,533,435 |
| | Principal Amount | Market Value |
| MUNICIPAL BONDS (continued) | | |
| Hospital Revenue Bonds (continued) | | |
| Minneapolis Health Care System Revenue (Allina Health Systems) Series A 5.75% 11/15/32 | \$1,100,000 | \$1,171,093 |
| Minnesota Agricultural & Economic Development Health Care System (Fairview Hospital) Series A 6.375% 11/15/29 | 1,750,000 | 1,922,147 |
| St. Paul Housing & Redevelopment Authority Health Care Facilities Revenue (Regions Hospital Project) 5.30% 5/15/28 | 700,000 | 706,671 ----- 7,638,631 ----- |
| Investor Owned Utilities Revenue Bonds - 5.50% | | |
| Bass Brook Pollution Control Revenue (Minnesota Power & Light Company Project) 6.00% 7/1/22 | 2,100,000 | 2,143,260 ----- 2,143,260 ----- |
| Miscellaneous Revenue Bonds - 7.04% | | |
| Minneapolis Art Center Facilities Revenue (Walker Art Center Project) 5.125% 7/1/21 | 1,600,000 | 1,695,376 |
| Minneapolis Community Development Agency Supported Series G-3 5.45% 12/1/31 | 1,000,000 | 1,050,440 ----- 2,745,816 ----- |
| Multifamily Housing Revenue Bonds - 6.00% | | |

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| | | |
|---|-----------|-----------|
| Minneapolis Multifamily Housing Revenue (Seward Towers Project) 5.00% 5/20/36 (GNMA) | 1,000,000 | 1,031,060 |
| Southeastern Minnesota Multi County Housing & Redevelopment Authority (Winona County) 5.35% 1/1/28 | 300,000 | 304,698 |
| Washington County Housing & Redevelopment Authority Revenue (Woodland Park Apartments Project) 4.70% 10/1/32 | 1,000,000 | 1,004,730 |
| | | ----- |
| | | 2,340,488 |
| | | ----- |
| Municipal Lease Revenue Bonds - 4.51% | | |
| St. Paul Port Authority Lease Revenue (Cedar Street Office Building Project) 5.125% 12/1/27 | 500,000 | 529,800 |
| 5.25% 12/1/27 | 1,150,000 | 1,227,591 |
| | | ----- |
| | | 1,757,391 |
| | | ----- |
| Parking Revenue Bonds - 1.79% | | |
| St. Paul Housing & Redevelopment Authority Parking Revenue (Block 19 Ramp Project) Series A 5.35% 8/1/29 (FSA) | 650,000 | 698,763 |
| | | ----- |
| | | 698,763 |
| | | ----- |
| Political Subdivision General Obligation Bonds - 8.64% | | |
| Hennepin County Series B 5.00% 12/1/18 | 1,300,000 | 1,402,726 |
| Washington County Housing & Redevelopment Authority Series B 5.50% 2/1/22 (MBIA) | 855,000 | 916,988 |
| 5.50% 2/1/32 (MBIA) | 1,000,000 | 1,047,310 |
| | | ----- |
| | | 3,367,024 |
| | | ----- |

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

| | Principal Amount | Market Value |
|--|---------------------|-----------------|
| MUNICIPAL BONDS (continued) | | |
| *Pre-Refunded Bonds - 8.34% | | |
| Duluth Economic Development Authority Health Care Facilities Revenue (Duluth Clinic) | | |

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| | | |
|---|------------|------------|
| 6.30% 11/1/22-04 (AMBAC) | \$ 730,000 | \$ 752,404 |
| Puerto Rico Commonwealth | | |
| 6.00% 7/1/26-07 | 1,000,000 | 1,143,210 |
| St. Francis Independent School | | |
| District #15 Series A | | |
| 6.30% 2/1/11-06 (FSA) | 1,250,000 | 1,354,225 |
| | | ----- |
| | | 3,249,839 |
| | | ----- |
| Public Power Revenue Bonds - 25.97% | | |
| Chaska Electric Revenue Series A | | |
| 6.00% 10/1/25 | 1,000,000 | 1,072,380 |
| Rochester Electric Utility Revenue | | |
| 5.25% 12/1/30 (AMBAC) | 150,000 | 159,093 |
| **Southern Minnesota Municipal | | |
| Power Agency, Inverse Floater | | |
| Series A 9.36% 1/1/14 (AMBAC) | 2,500,000 | 3,219,474 |
| Southern Minnesota Municipal | | |
| Power Agency Series A | | |
| 5.00% 1/1/12 (AMBAC) | 1,000,000 | 1,127,390 |
| 5.00% 10/1/13 (MBIA) | 500,000 | 563,915 |
| 5.25% 1/1/16 (AMBAC) | 1,000,000 | 1,140,920 |
| Western Minnesota Municipal | | |
| Power Agency Series A | | |
| 5.00% 1/1/30 (MBIA) | 1,900,000 | 1,982,631 |
| Western Minnesota Municipal | | |
| Power Agency Series B | | |
| 5.00% 1/1/15 (MBIA) | 765,000 | 857,917 |
| | | ----- |
| | | 10,123,720 |
| | | ----- |
| School District General Obligation Bonds - 13.57% | | |
| Centennial Independent School | | |
| District #012 Series 2002A | | |
| 5.00% 2/1/20 (FSA) | 400,000 | 425,684 |
| Farmington Independent School | | |
| District #192 5.00% 2/1/23 (FSA) | 1,200,000 | 1,263,036 |
| Morris Independent School | | |
| District #769 5.00% 2/1/28 (MBIA) | 1,000,000 | 1,046,670 |
| Mounds View Independent School | | |
| District #621 5.00% 2/1/23 (FSA) | 1,020,000 | 1,079,262 |
| Robbinsdale Independent School | | |
| District #281 5.00% 2/1/21 (FSA) | 500,000 | 530,035 |
| St. Michael Independent School | | |
| District #885 | | |
| 5.00% 2/1/22 (FSA) | 500,000 | 527,290 |
| 5.00% 2/1/24 (FSA) | 400,000 | 418,568 |
| | | ----- |
| | | 5,290,545 |
| | | ----- |
| Single Family Housing Revenue Bonds - 3.20% | | |
| Dakota County Housing & Redevelopment | | |
| Authority Single Family | | |
| Mortgage Revenue | | |
| 5.85% 10/1/30 (GNMA) (FNMA) (AMT) | 80,000 | 83,410 |
| Minnesota State Housing Finance Agency | | |
| Single Family Mortgage Series J | | |
| 5.90% 7/1/28 (AMT) | 1,105,000 | 1,164,670 |
| | | ----- |
| | | 1,248,080 |
| | | ----- |

| | Principal Amount | Market Value |
|---|---------------------|-----------------|
| MUNICIPAL BONDS (continued) | | |
| State General Obligation Bonds - 2.73% | | |
| Minnesota State Refunding 5.00% 8/1/21 | \$1,000,000 | \$ 1,064,820 |
| | | ----- |
| | | 1,064,820 |
| | | ----- |
| Territorial Revenue Bonds - 4.54% | | |
| Puerto Rico Commonwealth Highway & Transportation Authority Revenue Series A 5.00% 7/1/38 | 300,000 | 306,189 |
| Puerto Rico Commonwealth Highway & Transportation Authority Revenue Series G 5.00% 7/1/42 | 250,000 | 257,030 |
| Puerto Rico Public Buildings Authority Revenue Series D 5.25% 7/1/27 | 1,150,000 | 1,205,338 |
| | | ----- |
| | | 1,768,557 |
| | | ----- |
| TOTAL MUNICIPAL BONDS (cost \$55,181,293) | | 58,109,195 |
| | | ----- |
| TOTAL MARKET VALUE OF SECURITIES - 149.08% | | |
| (cost \$55,181,293) | | 58,109,195 |
| RECEIVABLES AND OTHER ASSETS | | |
| NET OF LIABILITIES - 2.23% | | 869,259 |
| LIQUIDATION VALUE OF PREFERRED STOCK - (51.31%) | | (20,000,000) |
| | | ----- |
| NET ASSETS APPLICABLE TO 2,594,700 SHARES OUTSTANDING - 100.00% | | \$ 38,978,454 |
| | | ===== |
| Net Asset Value Per Common Share (\$38,978,454 / 2,594,700 Shares) | | \$15.02 |
| | | ----- |
| COMPONENTS OF NET ASSETS AT MARCH 31, 2004: | | |
| Common stock, \$0.01 par value, 200 million shares authorized to the Fund | | \$ 35,426,619 |
| Undistributed net investment income | | 805,302 |
| Accumulated net realized loss on investments | | (181,369) |
| Net unrealized appreciation of investments | | 2,927,902 |
| | | ----- |
| Total net assets | | \$ 38,978,454 |
| | | ===== |

*For Pre-Refunded Bonds, the stated maturity is followed by the year in which the bond is pre-refunded.

**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, 2004.

SUMMARY OF ABBREVIATIONS:

AMBAC - Insured by the AMBAC Assurance Corporation
 AMT - Subject to Alternative Minimum Tax
 CFC - Insured by the National Rural Utilities Cooperative
 Finance Corporation
 FGIC - Insured by the Financial Guaranty Insurance Company
 FHA - Insured by the Federal Housing Administration
 FNMA - Insured by Federal National Mortgage Association
 FSA - Insured by Financial Security Assurance
 GNMA - Insured by Government National Mortgage Association
 MBIA - Insured by the Municipal Bond Insurance Association
 RADIAN - Insured by Radian Asset Assurance

See accompanying notes

8

STATEMENTS OF NET ASSETS (CONTINUED)
 DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND II, INC.
 March 31, 2004

| | Principal Amount | Market Value |
|--|---------------------|-----------------|
| MUNICIPAL BONDS - 152.94% | | |
| Airport Revenue Bonds - 6.66% | | |
| Minneapolis/St. Paul Metropolitan Airports | | |
| Commission Revenue Series A | | |
| 5.00% 1/1/28 (MBIA) | \$1,370,000 | \$ 1,432,623 |
| 5.00% 1/1/30 (AMBAC) | 1,200,000 | 1,234,968 |
| Minneapolis/St. Paul Metropolitan Airports | | |
| Commission Revenue Series B | | |
| 5.25% 1/1/24 (FGIC) (AMT) | 1,000,000 | 1,038,750 |
| Minneapolis/St. Paul Metropolitan Airports | | |
| Commission Revenue Series C | | |
| 5.25% 1/1/32 (FGIC) | 3,500,000 | 3,677,695 |
| | | ----- |
| | | 7,384,036 |
| | | ----- |
| City General Obligation Bonds - 3.32% | | |
| Moorhead Series B 5.00% 2/1/33 (MBIA) | 2,000,000 | 2,105,440 |
| Willmar (Rice Memorial Hospital Project) | | |
| 5.00% 2/1/32 (FSA) | 1,500,000 | 1,577,865 |
| | | ----- |
| | | 3,683,305 |
| | | ----- |
| Continuing Care/Retirement Revenue Bonds - 4.42% | | |
| Minneapolis Health Care Facility Revenue | | |
| (Jones-Harrison Residence Project) | | |

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| | | |
|---|---------------------|-----------------|
| 6.00% 10/1/27 | 1,565,000 | 1,503,746 |
| Minnetonka Housing Facilities Revenue (Beacon Hill Senior Housing Project, Presbyterian Homes & Services) | | |
| 7.55% 6/1/19 | 2,365,000 | 2,388,981 |
| Moorhead Economic Development Authority Multifamily Revenue (Eventide Lutheran Home Project) | | |
| Series B 6.00% 6/1/18 | 1,000,000 | 1,005,700 |
| | | ----- |
| | | 4,898,427 |
| | | ----- |
| Corporate Backed Revenue Bonds - 5.20% | | |
| Burnsville Commonwealth Development (Holiday Inn Project) 5.90% 4/1/08 | 1,430,000 | 1,457,470 |
| Cloquet Pollution Control Revenue (Potlatch Corporation) 5.90% 10/1/26 | 4,500,000 | 4,306,905 |
| | | ----- |
| | | 5,764,375 |
| | | ----- |
| Escrowed to Maturity Bonds - 20.65% | | |
| Dakota/Washington Counties Housing & Redevelopment Authority Single Family Mortgage Revenue 8.375% 9/1/21 (GNMA) (FHA) (AMT) | 5,500,000 | 8,083,075 |
| Metropolitan Council Minneapolis/St. Paul Area Sports Facilities Revenue (Hubert H. Humphrey Metrodome) | | |
| 6.00% 10/1/09 | 2,360,000 | 2,443,922 |
| Southern Minnesota Municipal Power Agency Supply Revenue Series A 5.75% 1/1/18 | 3,715,000 | 3,804,271 |
| St. Paul Housing & Redevelopment Authority Sales Tax (Civic Center Project) | | |
| 5.55% 11/1/23 | 2,300,000 | 2,354,878 |
| 5.55% 11/1/23 (MBIA) | 4,200,000 | 4,300,212 |
| Western Minnesota Municipal Power Agency Series A 6.625% 1/1/16 | 1,535,000 | 1,899,578 |
| | | ----- |
| | | 22,885,936 |
| | | ----- |
| | Principal Amount | Market Value |
| MUNICIPAL BONDS (continued) | | |
| Higher Education Revenue Bonds - 7.67% | | |
| Minnesota Higher Education Facilities Authority (St. Mary University) | | |
| 4.80% 10/1/23 | \$1,400,000 | \$ 1,387,232 |
| Minnesota Higher Education Facilities Authority (St. Thomas University) | | |
| Series 4-A1 5.625% 10/1/21 | 1,000,000 | 1,033,130 |
| Minnesota State Higher Education Facilities (St. Catherine College) Series 5-N1 | | |
| 5.375% 10/1/32 | 1,500,000 | 1,558,035 |
| St. Cloud Housing & Redevelopment Authority Revenue (State University Foundation Project) 5.00% 5/1/23 | 1,000,000 | 1,046,290 |

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| | | |
|--|-----------|------------|
| University of Minnesota Series A 5.50% 7/1/21 | 3,000,000 | 3,473,010 |
| | | ----- |
| | | 8,497,697 |
| | | ----- |
| Hospital Revenue Bonds - 23.72% | | |
| Brainerd Health Care (Evangelical Lutheran Health Care Facilities) Series A 6.65% 3/1/17 (FSA) | 1,195,000 | 1,200,139 |
| Duluth Economic Development Authority Health Care Facilities Revenue Benedictine Health Systems (St. Mary's Hospital) 5.25% 2/15/33 | 4,000,000 | 4,094,160 |
| Minneapolis Health Care System Revenue (Fairview Health Services) Series A 5.625% 5/15/32 | 2,750,000 | 2,916,045 |
| Minneapolis/St. Paul Housing & Redevelopment Authority Health Care Systems (Children's Health Care) Series A 5.50% 8/15/25 (FSA) | 1,400,000 | 1,483,706 |
| Minnesota Agricultural & Economic Development Health Care System (Fairview Hospital) Series 97A 5.75% 11/15/26 (MBIA) | 5,550,000 | 6,178,148 |
| Minnesota Agricultural & Economic Development Health Care System (Fairview Hospital) Series A 6.375% 11/15/29 | 3,300,000 | 3,624,621 |
| Rochester Health Care Facilities Revenue (Mayo Foundation) Series B 5.50% 11/15/27 | 3,365,000 | 3,623,533 |
| St. Louis Park Health Care Facilities Revenue (Park Nicollet Health Services) Series B 5.25% 7/1/30 | 1,250,000 | 1,289,400 |
| St. Paul Housing & Redevelopment Authority Health Care Facilities Revenue (Regions Hospital Project) 5.30% 5/15/28 | 300,000 | 302,859 |
| Waconia Health Care Facilities Revenue (Ridgeview Medical Center Project) Series A 6.10% 1/1/19 (RADIANT) | 1,405,000 | 1,579,670 |
| | | ----- |
| | | 26,292,281 |
| | | ----- |
| Investor Owned Utilities Revenue Bonds - 6.96% | | |
| Bass Brook Pollution Control Revenue (Minnesota Power & Light Company Project) 6.00% 7/1/22 | 7,560,000 | 7,715,736 |
| | | ----- |
| | | 7,715,736 |
| | | ----- |

OF NET ASSETS (CONTINUED)

| | Principal Amount | Market Value |
|--|---------------------|-----------------|
| MUNICIPAL BONDS (continued) | | |
| Miscellaneous Revenue Bonds - 3.71% | | |
| Minneapolis Art Center Facilities Revenue (Walker Art Center Project) | | |
| 5.125% 7/1/21 | \$2,400,000 | \$ 2,543,064 |
| Minneapolis Community Development Agency (Supported Development Revenue Limited Tax Common Bond Fund) Series 5 5.70% 12/1/27 | 375,000 | 383,325 |
| Minneapolis Community Development Agency (Supported Development Revenue Limited Tax Common Bond Fund) Series G1 5.70% 12/1/19 | 1,100,000 | 1,183,721 |
| | | ----- |
| | | 4,110,110 |
| | | ----- |
| Multifamily Housing Revenue Bonds - 10.97% | | |
| Chanhassen Multifamily Housing Revenue (Heritage Park Project Section 8) | | |
| 6.20% 7/1/30 (FHA) (AMT) | 1,105,000 | 1,162,769 |
| Harmony Multifamily Housing Revenue Refunding Section 8 (Zedakah Foundation Project) | | |
| Series A 5.95% 9/1/20 | 1,000,000 | 849,110 |
| Minneapolis Multifamily Housing Revenue (Sumner Housing Project) | | |
| Series A 5.15% 2/20/45 (GNMA) (AMT) | 3,575,000 | 3,706,488 |
| Minnesota State Housing Finance Agency Series A 5.00% 2/1/35 | 1,000,000 | 1,021,630 |
| Minnesota State Housing Finance Agency Series D 5.95% 2/1/18 (MBIA) | 995,000 | 1,025,636 |
| Minnetonka Housing Facilities (Beacon Hill Project, Presbyterian Homes & Services) | | |
| 7.25% 6/1/09 | 1,225,000 | 1,229,092 |
| 7.50% 6/1/14 | 760,000 | 767,410 |
| Southeastern Minnesota Multi County Housing & Redevelopment Authority (Winona County) 5.35% 1/1/28 | 870,000 | 883,624 |
| Stillwater Multifamily Housing Revenue (Stillwater Cottages) (Orleans Homes Number One) 7.25% 11/1/27 (AMT) | 1,540,000 | 1,514,267 |
| | | ----- |
| | | 12,160,026 |
| | | ----- |
| Municipal Lease Revenue Bonds - 9.16% | | |
| St. Paul Port Authority Lease Revenue (Cedar Street Office Building Project) | | |
| 5.00% 12/1/22 | 2,385,000 | 2,523,163 |
| 5.25% 12/1/27 | 2,650,000 | 2,828,796 |
| St. Paul Port Authority Lease Revenue (Robert Street Office Building Project) | | |
| 5.00% 12/1/27 | 2,545,000 | 2,667,516 |
| St. Paul Port Authority Lease Revenue | | |

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| | | |
|--|-------------|-------------|
| (Robert Street Office Building Project) | | |
| Series 9 5.25% 12/1/27 | 2,000,000 | 2,134,940 |
| | | ----- |
| | | 10,154,415 |
| | | ----- |
| Parking Revenue Bonds - 1.21% | | |
| St. Paul Housing & Redevelopment | | |
| Authority Parking Revenue | | |
| (Block 19 Ramp Project) | | |
| Series A 5.35% 8/1/29 (FSA) | 1,250,000 | 1,343,775 |
| | | ----- |
| | | 1,343,775 |
| | | ----- |
| | Principal | Market |
| | Amount | Value |
| MUNICIPAL BONDS (continued) | | |
| Political Subdivision General Obligation Bonds - 6.32% | | |
| Hennepin County Series B | | |
| 5.00% 12/1/18 | \$1,000,000 | \$1,079,020 |
| Hennepin Regional Railroad Authority | | |
| 5.00% 12/1/26 | 3,500,000 | 3,649,765 |
| Metropolitan Council Waste Water | | |
| Treatment Series B 5.00% 12/1/21 | 1,000,000 | 1,078,420 |
| Washington County Housing & | | |
| Redevelopment Authority | | |
| Series B 5.50% 2/1/32 (MBIA) | 1,140,000 | 1,193,933 |
| | | ----- |
| | | 7,001,138 |
| | | ----- |
| *Pre-Refunded Bonds - 8.16% | | |
| Duluth Economic Development Authority | | |
| Health Care Facilities Revenue | | |
| (Duluth Clinic) | | |
| 6.20% 11/1/12-04 (AMBAC) | 280,000 | 288,431 |
| 6.30% 11/1/22-04 (AMBAC) | 960,000 | 989,462 |
| Esko Independent School District #99 | | |
| 5.65% 4/1/12-05 (FSA) | 550,000 | 573,667 |
| Hawley Independent School District #150 | | |
| Series A 5.75% 2/1/17-06 (FSA) | 1,000,000 | 1,073,490 |
| Minnesota Public Facilities Authority | | |
| Water Pollution Control Revenue | | |
| Series A 6.25% 3/1/16-05 | 1,000,000 | 1,047,390 |
| Puerto Rico Highway & Transportation | | |
| Authority Revenue Series Y | | |
| 5.50% 7/1/26-06 | 3,000,000 | 3,304,079 |
| **Stewartville Independent School | | |
| District, Inverse Floater #534 | | |
| 5.75% 2/1/17-05 | 1,705,000 | 1,767,949 |
| | | ----- |
| | | 9,044,468 |
| | | ----- |

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| | | |
|--|-----------|-----------|
| Public Power Revenue Bonds - 6.69% | | |
| Rochester Electric Utility Revenue | | |
| 5.25% 12/1/30 (AMBAC) | 450,000 | 477,279 |
| **Southern Minnesota Municipal Power | | |
| Agency, Inverse Floater Series A | | |
| 9.36% 1/1/14 (AMBAC) | 3,000,000 | 3,863,370 |
| 9.36% 1/1/15 | 1,500,000 | 1,927,785 |
| Western Minnesota Municipal Power | | |
| Agency Series A 5.00% 1/1/30 (MBIA) | 1,100,000 | 1,147,839 |
| | | ----- |
| | | 7,416,273 |
| | | ----- |
| School District General Obligation Bonds - 8.31% | | |
| Centennial Independent School | | |
| District #012 Series 2002A | | |
| 5.00% 2/1/20 (FSA) | 400,000 | 425,684 |
| Farmington Independent School | | |
| District #192 5.00% 2/1/23 (FSA) | 1,080,000 | 1,136,732 |
| Morris Independent School District #769 | | |
| 5.00% 2/1/28 (MBIA) | 2,750,000 | 2,878,342 |
| Mounds View Independent School | | |
| District #621 5.00% 2/1/23 (FSA) | 1,000,000 | 1,058,100 |
| Rosemount Independent School | | |
| District #196 Series A 5.70% 4/1/12 | 1,270,000 | 1,370,127 |
| St. Michael Independent School | | |
| District #885 | | |
| 5.00% 2/1/22 (FSA) | 1,500,000 | 1,581,870 |
| 5.00% 2/1/24 (FSA) | 725,000 | 758,655 |
| | | ----- |
| | | 9,209,510 |
| | | ----- |

10

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

| | Principal Amount | Market Value |
|---|---------------------|-----------------|
| MUNICIPAL BONDS (continued) | | |
| Single Family Housing Revenue Bonds - 4.02% | | |
| Minnesota State Housing Finance Agency | | |
| Series B 5.35% 1/1/33 (AMT) | \$1,160,000 | \$ 1,204,197 |
| Minnesota State Housing Finance Agency | | |
| Single Family Housing Series 1992-C2 | | |
| 6.15% 7/1/23 (AMT) | 920,000 | 935,796 |
| Minnesota State Housing Finance Agency | | |
| Single Family Housing Series 1994-J | | |
| 6.95% 7/1/26 (AMT) | 745,000 | 760,757 |
| Minnesota State Housing Finance Agency | | |
| Single Family Housing Series F | | |

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| | | |
|--|-----------|---------------|
| 6.30% 7/1/25 | 565,000 | 576,938 |
| Minnesota State Housing Finance Agency | | |
| Single Family Mortgage Series J | | |
| 5.90% 7/1/28 (AMT) | 930,000 | 980,220 |
| | | ----- |
| | | 4,457,908 |
| | | ----- |
| State General Obligation Bonds - 3.99% | | |
| Minnesota State Refunding 5.00% 8/1/21 | 3,525,000 | 3,753,491 |
| **Minnesota State, Inverse Floater | | |
| 8.96% 11/1/17 | 570,000 | 665,760 |
| | | ----- |
| | | 4,419,251 |
| | | ----- |
| Tax Increment/Special Assessment Bonds - 3.38% | | |
| Becker Tax Increment Series D | | |
| 6.25% 8/1/15 (MBIA) (AMT) | 3,700,000 | 3,749,765 |
| | | ----- |
| | | 3,749,765 |
| | | ----- |
| Territorial General Obligation Bonds - 2.22% | | |
| Puerto Rico Commonwealth Public | | |
| Improvement Series A | | |
| 5.00% 7/1/27 | 1,250,000 | 1,289,375 |
| 5.50% 7/1/19 (MBIA) | 1,000,000 | 1,173,080 |
| | | ----- |
| | | 2,462,455 |
| | | ----- |
| Territorial Revenue Bonds - 3.60% | | |
| Puerto Rico Commonwealth Highway & | | |
| Transportation Authority Revenue | | |
| Series G 5.00% 7/1/42 | 1,500,000 | 1,542,180 |
| Puerto Rico Electric Power Authority Power | | |
| Revenue Series Z 5.25% 7/1/21 | 1,500,000 | 1,552,845 |
| Puerto Rico Public Buildings Authority | | |
| Revenue Series D 5.25% 7/1/27 | 850,000 | 890,902 |
| | | ----- |
| | | 3,985,927 |
| | | ----- |
| Variable Rate Demand Notes - 2.58% | | |
| Minneapolis Multifamily Housing Revenue | | |
| (Seven Corners Apartments Project) | | |
| 0.97% 11/1/31 | 1,560,000 | 1,560,000 |
| Minneapolis Variable Refunding | | |
| 0.87% 12/1/18 SPA | 800,000 | 800,000 |
| Robbinsdale Health Care Facilities Revenue | | |
| (North Memorial Health Care-Tranche I) | | |
| 0.95% 5/15/33 (AMBAC) | 500,000 | 500,000 |
| | | ----- |
| | | 2,860,000 |
| | | ----- |
| TOTAL MUNICIPAL BONDS (cost \$161,077,199) | | 169,496,814 |
| | | ----- |
| TOTAL MARKET VALUE OF SECURITIES - 152.94% | | |
| (cost \$161,077,199) | | \$169,496,814 |
| RECEIVABLES AND OTHER ASSETS | | |

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| | |
|---|---------------|
| NET OF LIABILITIES - 1.20% | 1,331,032 |
| LIQUIDATION VALUE OF PREFERRED STOCK - (54.14%) | (60,000,000) |
| | ----- |
| NET ASSETS APPLICABLE TO 7,252,200 SHARES | |
| OUTSTANDING - 100.00% | \$110,827,846 |
| | ===== |

| | |
|------------------------------------|---------|
| Net Asset Value Per Common Share | |
| (\$110,827,846 / 7,252,200 Shares) | \$15.28 |
| | ----- |

COMPONENTS OF NET ASSETS AT MARCH 31, 2004:

| | |
|--|---------------|
| Common stock, \$0.01 par value, 200 million | |
| shares authorized to the Fund | \$ 99,710,000 |
| Undistributed net investment income | 3,358,447 |
| Accumulated net realized loss on investments | (660,216) |
| Net unrealized appreciation of investments | 8,419,615 |
| | ----- |
| Total net assets | \$110,827,846 |
| | ===== |

*For Pre-Refunded Bonds, the stated maturity is followed by the year in which the bond is pre-refunded.

**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, 2004.

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 Government National Mortgage Association
 MBIA - Insured by the Municipal Bond Insurance Association
 RADIAN - Insured by Radian Asset Assurance
 SPA - Stand-by Purchase Agreement

See accompanying notes

STATEMENTS OF NET ASSETS (CONTINUED)

DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III, INC.
 March 31, 2004

| | Principal Amount | Market Value |
|-------------------------------|---------------------|-----------------|
| Municipal Bonds - 154.26% | | |
| Airport Revenue Bonds - 9.37% | | |

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| | | |
|--|------------|------------|
| Minneapolis/St. Paul Metropolitan Airports | | |
| Commission Revenue Series A | | |
| 5.00% 1/1/28 (MBIA) | \$ 750,000 | \$ 784,283 |
| 5.00% 1/1/30 (AMBAC) | 750,000 | 771,855 |
| 5.125% 1/1/25 (FGIC) | 900,000 | 937,665 |
| | | ----- |
| | | 2,493,803 |
| | | ----- |
| City General Obligation Bonds - 4.95% | | |
| Moorhead Series B 5.00% 2/1/33 (MBIA) | 1,250,000 | 1,315,900 |
| | | ----- |
| | | 1,315,900 |
| | | ----- |
| Continuing Care/Retirement Revenue Bonds - 9.37% | | |
| Minnesota Agriculture & Economic | | |
| Development Board Revenue | | |
| (Benedictine Health Systems) | | |
| 5.75% 2/1/29 | 600,000 | 581,832 |
| St. Paul Housing & Redevelopment Authority | | |
| Revenue (Franciscan Health Project) | | |
| 5.40% 11/20/42 (GNMA) (FHA) | 1,820,000 | 1,911,182 |
| | | ----- |
| | | 2,493,014 |
| | | ----- |
| Corporate Backed Revenue Bonds - 7.12% | | |
| Cloquet Pollution Control Revenue | | |
| (Potlatch Corporation) | | |
| 5.90% 10/1/26 | 1,000,000 | 957,090 |
| Minneapolis Community Development | | |
| Agency Supported Development | | |
| Revenue (Pajor Graphics) Series 1 | | |
| (LOC US Bank NA) 6.75% 12/1/25 (AMT) | 865,000 | 937,963 |
| | | ----- |
| | | 1,895,053 |
| | | ----- |
| Escrowed to Maturity Bonds - 12.18% | | |
| University of Minnesota Hospital & Clinics | | |
| 6.75% 12/1/16 | 2,580,000 | 3,240,428 |
| | | ----- |
| | | 3,240,428 |
| | | ----- |
| Higher Education Revenue Bonds - 9.02% | | |
| Minnesota Higher Education Facilities | | |
| Authority (College of St. Benedict) | | |
| Series 3-W 6.375% 3/1/20 | 345,000 | 345,462 |
| Minnesota Higher Education Facilities | | |
| Authority (St. Mary's College) | | |
| Series 3-Q 6.15% 10/1/23 | 1,000,000 | 1,010,000 |
| Minnesota Higher Education Facilities | | |
| Authority (St. Thomas University) | | |
| Series 4-A1 5.625% 10/1/21 | 1,010,000 | 1,043,462 |
| | | ----- |
| | | 2,398,924 |
| | | ----- |
| Hospital Revenue Bonds - 19.40% | | |
| Bemidji County Health Care Facilities | | |
| (North Country Health Services) | | |
| 5.00% 9/1/24 (RADIANT) | 500,000 | 512,930 |
| Duluth Economic Development Authority | | |
| Health Care Facilities Revenue | | |
| Benedictine Health Systems | | |
| (St. Mary's Hospital) 5.25% 2/15/33 | 1,000,000 | 1,023,540 |

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| | | |
|--|---------------------|-----------------|
| Minneapolis Health Care System Revenue (Allina Health Systems) Series A 5.75% 11/15/32 | 1,100,000 | 1,171,093 |
| Minnesota Agricultural & Economic Development Health Care System (Fairview Hospital) Series A 6.375% 11/15/29 | 1,250,000 | 1,372,962 |
| | 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 | \$1,076,830 |
| | | ----- |
| | | 5,157,355 |
| | | ----- |
| Investor Owned Utilities Revenue Bonds - 5.77% | | |
| Bass Brook Pollution Control Revenue (Minnesota Power & Light Company Project) 6.00% 7/1/22 | 1,505,000 | 1,536,003 |
| | | ----- |
| | | 1,536,003 |
| | | ----- |
| Miscellaneous Revenue Bonds - 1.00% | | |
| Minneapolis Art Center Facilities Revenue (Walker Art Center Project) 5.125% 7/1/21 | 250,000 | 264,903 |
| | | ----- |
| | | 264,903 |
| | | ----- |
| Multifamily Housing Revenue Bonds - 15.33% | | |
| Burnsville Multifamily Housing Mortgage Revenue SCA Tax Exempt Trust Series A 7.10% 1/1/30 (FSA) | 1,950,000 | 2,020,181 |
| Minneapolis Multifamily Housing Revenue (Gaar Scott Loft Project) 5.95% 5/1/30 (AMT) | 985,000 | 1,067,602 |
| Minneapolis Multifamily Housing Revenue (Olson Townhomes Project) 6.00% 12/1/19 (AMT) | 1,000,000 | 988,910 |
| | | ----- |
| | | 4,076,693 |
| | | ----- |
| Municipal Lease Revenue Bonds - 7.97% | | |
| St. Paul Port Authority Lease Revenue (Cedar Street Office Building Project) 5.125% 12/1/27 | 500,000 | 529,800 |
| 5.25% 12/1/27 | 1,000,000 | 1,067,470 |
| St. Paul Port Authority Lease Revenue (Robert Street Office Building Project) 5.00% 12/1/27 | 500,000 | 524,070 |
| | | ----- |
| | | 2,121,340 |

| | | |
|---|-----------|-----------|
| ----- | | |
| Parking Revenue Bonds - 5.86% | | |
| St. Paul Housing & Redevelopment Authority Parking Revenue (Block 19 Ramp Project) Series A | | |
| 5.35% 8/1/29 (FSA) | 1,450,000 | 1,558,779 |
| | | ----- |
| | | 1,558,779 |
| | | ----- |
| Political Subdivision General Obligation Bonds - 8.48% | | |
| Metropolitan Council Waste Water Treatment Series B 5.00% 12/1/21 | | |
| | 500,000 | 539,210 |
| Minneapolis Sports Arena Project | | |
| 5.125% 10/1/20 | 750,000 | 804,765 |
| Washington County Housing & Redevelopment Authority Series B | | |
| 5.50% 2/1/22 (MBIA) | 850,000 | 911,625 |
| | | ----- |
| | | 2,255,600 |
| | | ----- |
| *Pre-Refunded Bonds - 10.04% | | |
| Duluth Economic Development Authority Health Care Facilities Revenue (Duluth Clinic) 6.20% 11/1/12-04 (AMBAC) | | |
| | 420,000 | 432,646 |
| Esko Independent School District #99 | | |
| 5.75% 4/1/17-05 (FSA) | 2,145,000 | 2,239,423 |
| | | ----- |
| | | 2,672,069 |
| | | ----- |

12

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

| | Principal Amount | Market Value |
|---|---------------------|-----------------|
| MUNICIPAL BONDS (continued) | | |
| Public Power Revenue Bonds - 17.06% | | |
| **Southern Minnesota Municipal Power Agency, Inverse Floater Series A | | |
| 9.36% 1/1/14 (AMBAC) | \$1,500,000 | \$ 1,931,684 |
| Southern Minnesota Municipal Power Agency Series A | | |
| 5.00% 10/1/13 (MBIA) | 500,000 | 563,915 |
| 5.25% 1/1/15 (AMBAC) | 700,000 | 799,813 |
| 5.25% 1/1/16 (AMBAC) | 500,000 | 570,460 |
| Western Minnesota Municipal Power Agency Series B 5.00% 1/1/15 (MBIA) | | |
| | 600,000 | 672,876 |
| | | ----- |
| | | 4,538,748 |

| | | |
|---|-----------|---------------|
| ----- | | |
| Single Family Housing Revenue Bonds - 2.54% | | |
| Minnesota State Housing Finance Agency | | |
| Series B 5.35% 1/1/33 (AMT) | 650,000 | 674,765 |
| | | ----- |
| | | 674,765 |
| | | ----- |
| Water & Sewer Revenue Bonds - 8.80% | | |
| Minnesota Public Facilities Authority Water | | |
| Pollution Control Revenue Series B | | |
| 5.40% 3/1/15 | 2,200,000 | 2,341,306 |
| | | ----- |
| | | 2,341,306 |
| | | ----- |
| TOTAL MUNICIPAL BONDS (cost \$38,628,240) | | 41,034,683 |
| | | ----- |
| TOTAL MARKET VALUE OF SECURITIES - 154.26% | | |
| (cost \$38,628,240) | | 41,034,683 |
| RECEIVABLES AND OTHER ASSETS | | |
| NET OF LIABILITIES - 2.13% | | 566,497 |
| LIQUIDATION VALUE OF PREFERRED | | |
| STOCK - (56.39%) | | (15,000,000) |
| | | ----- |
| NET ASSETS APPLICABLE TO 1,837,200 SHARES | | |
| OUTSTANDING - 100.00% | | \$ 26,601,180 |
| | | ===== |
| Net Asset Value Per Common Share | | |
| (\$26,601,180 / 1,837,200 Shares) | | \$14.48 |
| | | ----- |

| | |
|--|--------------|
| COMPONENTS OF NET ASSETS AT MARCH 31, 2004: | |
| Common stock, \$0.01 par value, 200 million | |
| shares authorized to the Fund | \$23,985,129 |
| Undistributed net investment income | 758,251 |
| Accumulated net realized loss on investments | (548,643) |
| Net unrealized appreciation of investments | 2,406,443 |
| | ----- |
| Total net assets | \$26,601,180 |
| | ===== |

*For Pre-Refunded Bonds, the stated maturity is followed by the year in which the bond is pre-refunded.

**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, 2004.

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 Government National Mortgage Association
 LOC - Letter of Credit
 MBIA - Insured by the Municipal Bond Insurance Association

RADIAN - Insured by Radian Asset Assurance

See accompanying notes

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STATEMENTS
OF NET ASSETS (CONTINUED)

DELAWARE INVESTMENTS ARIZONA MUNICIPAL INCOME FUND, INC.
March 31, 2004

| | Principal Amount | Market Value |
|--|---------------------|-----------------|
| MUNICIPAL BONDS - 149.44% | | |
| Airport Revenue Bonds - 6.69% | | |
| Phoenix Civic Improvement Corporation | | |
| Airport Revenue Senior Lien | | |
| Series A 5.00% 7/1/25 (FSA) | \$1,000,000 | \$ 1,025,810 |
| Phoenix Civic Improvement Corporation | | |
| Airport Revenue Series B | | |
| 5.25% 7/1/27 (FGIC) (AMT) | 2,000,000 | 2,082,680 |
| | | ----- |
| | | 3,108,490 |
| | | ----- |
| Charter School Revenue Bonds - 4.39% | | |
| Maricopa County Industrial Development | | |
| Authority (Arizona Charter Schools | | |
| Project I) Series A 6.75% 7/1/29 | 1,000,000 | 1,015,950 |
| Pima County Industrial Development | | |
| Authority (Arizona Charter Schools | | |
| Project II) Series A 6.75% 7/1/31 | 1,000,000 | 1,023,060 |
| | | ----- |
| | | 2,039,010 |
| | | ----- |
| City General Obligation Bonds - 1.13% | | |
| DC Ranch Community Facilities | | |
| 5.00% 7/15/27 (AMBAC) | 500,000 | 523,225 |
| | | ----- |
| | | 523,225 |
| | | ----- |
| Continuing Care/Retirement Revenue Bonds - 3.42% | | |
| Yavapai County Industrial Development | | |
| Authority Residential Care Facilities | | |
| (Margaret T. Morris Center) Series A | | |
| 5.40% 2/20/38 (GNMA) | 1,575,000 | 1,586,198 |
| | | ----- |
| | | 1,586,198 |
| | | ----- |
| Dedicated Tax & Fees Revenue Bonds - 7.76% | | |
| Glendale Municipal Property Corporation | | |
| 5.00% 7/1/33 (AMBAC) | 3,455,000 | 3,601,561 |
| | | ----- |

| | | |
|---|-----------|-----------|
| | | 3,601,561 |
| | | ----- |
| Escrowed to Maturity Bonds - 10.81% | | |
| Puerto Rico Commonwealth Infrastructure | | |
| Financing Series A 5.50% 10/1/40 | 4,500,000 | 5,017,590 |
| | | ----- |
| | | 5,017,590 |
| | | ----- |
| Higher Education Revenue Bonds - 6.12% | | |
| South Campus Group Student Housing | | |
| Revenue (Arizona State University | | |
| South Campus Project) | | |
| 5.625% 9/1/35 (MBIA) | 1,000,000 | 1,106,410 |
| Southern Arizona Capital Facilities | | |
| Finance Corporation | | |
| (University of Arizona Project) | | |
| 5.00% 9/1/23 (MBIA) | 1,150,000 | 1,207,546 |
| University of Arizona Certificates of | | |
| Participation (University of Arizona | | |
| Project) Series B | | |
| 5.125% 6/1/22 (AMBAC) | 500,000 | 530,140 |
| | | ----- |
| | | 2,844,096 |
| | | ----- |
| Hospital Revenue Bonds - 19.18% | | |
| Maricopa County Industrial Development | | |
| Authority (Mayo Clinic Hospital) | | |
| 5.25% 11/15/37 | 2,000,000 | 2,064,480 |
| Mohave County Industrial Development | | |
| Authority (Chris/Silver Ridge) | | |
| 6.375% 11/1/31 (GNMA) | 260,000 | 275,855 |

| | Principal Amount | Market Value |
|---------------------------------------|---------------------|-----------------|
| MUNICIPAL BONDS (continued) | | |
| Hospital Revenue Bonds (continued) | | |
| Scottsdale Industrial Development | | |
| Authority Hospital Revenue | | |
| (Scottsdale Healthcare) | | |
| 5.80% 12/1/31 | \$1,000,000 | \$ 1,065,770 |
| Show Low Industrial Development | | |
| Authority Hospital Revenue | | |
| (Navapache Regional Medical Center) | | |
| Series A 5.50% 12/1/17 (ACA) | 1,600,000 | 1,683,632 |
| University Medical Center Corporation | | |
| Arizona Hospital Revenue | | |
| 5.00% 7/1/33 | 1,000,000 | 997,630 |
| University of Arizona Medical Center | | |
| 6.25% 7/1/16 (MBIA) | 700,000 | 707,399 |
| Yavapai County Industrial Development | | |
| Authority (Yavapai Regional Medical | | |
| Center) 5.25% 8/1/21 (RADIAN) | 2,000,000 | 2,110,820 |
| | | ----- |
| | | 8,905,586 |
| | | ----- |

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| | | |
|--|-----------|-----------|
| Miscellaneous Revenue Bonds - 8.04% | | |
| Arizona School Facilities Board Revenue | | |
| (State School Improvement) | | |
| Series 2001 5.00% 7/1/19 | 2,000,000 | 2,134,800 |
| Arizona Student Loan Acquisition | | |
| Authority Revenue Series A-1 | | |
| 5.90% 5/1/24 (AMT) | 1,500,000 | 1,597,110 |
| | | ----- |
| | | 3,731,910 |
| | | ----- |
| Multifamily Housing Revenue Bonds - 3.88% | | |
| Maricopa County Industrial Development | | |
| Authority Multifamily Housing | | |
| Revenue (Sly-Mar Apartments Project) | | |
| 6.10% 4/20/36 (GNMA) (AMT) | 465,000 | 513,532 |
| Peoria Industrial Development Authority | | |
| Multifamily Housing Revenue | | |
| (Casa Del Rio) Series A | | |
| 7.30% 2/20/28 (GNMA) | 1,230,000 | 1,286,174 |
| | | ----- |
| | | 1,799,706 |
| | | ----- |
| Municipal Lease Revenue Bonds - 8.24% | | |
| Phoenix Civic Improvement Corporation | | |
| Excise Tax Senior Lien | | |
| (Municipal Courthouse Project) | | |
| Series A 5.25% 7/1/24 | 1,000,000 | 1,061,450 |
| Prescott Valley Property Corporation | | |
| 5.00% 1/1/27 (FGIC) | 500,000 | 522,485 |
| Tucson Certificates of Participation | | |
| 5.60% 7/1/11 | 1,100,000 | 1,208,218 |
| Yuma Municipal Property Corporation | | |
| 5.00% 7/1/25 (AMBAC) | 1,000,000 | 1,034,340 |
| | | ----- |
| | | 3,826,493 |
| | | ----- |
| Political Subdivision General Obligation Bonds - 3.58% | | |
| Eagle Mountain Community Facilities | | |
| District Series A 6.40% 7/1/17 | 1,500,000 | 1,663,005 |
| | | ----- |
| | | 1,663,005 |
| | | ----- |

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

| | Principal Amount | Market Value |
|------------------------------------|---------------------|-----------------|
| MUNICIPAL BONDS (continued) | | |
| *Pre-Refunded Bonds - 11.79% | | |
| Arizona State Transportation Board | | |
| Highway Revenue Refunding | | |

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| | | |
|---|-------------|-------------|
| 5.75% 7/1/18-09 | \$2,350,000 | \$2,720,360 |
| Arizona Water Infrastructure Finance Authority Revenue Water Quality Series A 5.05% 10/1/20-11 | 1,500,000 | 1,692,270 |
| Oro Valley Municipal Property Corporation Excise Tax 5.00% 7/1/20-11 (FGIC) | 1,000,000 | 1,063,480 |
| | | ----- |
| | | 5,476,110 |
| | | ----- |
| Public Power Revenue Bonds - 2.24% | | |
| Salt River Project Arizona Agricultural Improvement & Power District Electric System Revenue (Salt River Project) Series A 5.00% 1/1/31 | 1,000,000 | 1,041,270 |
| | | ----- |
| | | 1,041,270 |
| | | ----- |
| School District General Obligation Bonds - 17.39% | | |
| Maricopa County School District #6 (Washington Elementary) Series A 5.375% 7/1/13 (FSA) | 3,000,000 | 3,482,219 |
| Maricopa County School District #6 (Washington Elementary School Improvement Project of 2001) Series B 5.00% 7/1/17 (FSA) | 1,000,000 | 1,118,980 |
| Maricopa County School District #38 (Madison Elementary) 5.00% 7/1/13 (FSA) | 1,250,000 | 1,413,888 |
| 5.00% 7/1/14 (FSA) | 825,000 | 931,153 |
| Tempe Union High School District #213 5.00% 7/1/14 (FSA) | 1,000,000 | 1,128,670 |
| | | ----- |
| | | 8,074,910 |
| | | ----- |
| Single Family Housing Revenue Bonds - 6.77% | | |
| Phoenix Industrial Development Authority Single Family Statewide Series A 5.35% 6/1/20 (GNMA) (FNMA) (FHLMC) (AMT) | 1,430,000 | 1,494,092 |
| Phoenix Industrial Development Authority Single Family Statewide Series C 5.30% 4/1/20 (GNMA) (FNMA) (FHLMC) (AMT) | 1,090,000 | 1,145,514 |
| Pima County Industrial Development Authority Single Family Mortgage Revenue Series A 6.125% 11/1/33 (GNMA) (FNMA) (FHLMC) (AMT) | 465,000 | 501,656 |
| | | ----- |
| | | 3,141,262 |
| | | ----- |
| Territorial General Obligation Bonds - 0.56% | | |
| Puerto Rico Commonwealth Public Improvement Series A 5.125% 7/1/31 | 250,000 | 258,853 |
| | | ----- |
| | | 258,853 |
| | | ----- |

| | Principal Amount | Market Value |
|---|---------------------|-----------------|
| Territorial Revenue Bonds - 22.23% | | |
| Puerto Rico Commonwealth Highway & Transportation Authority Transportation Refunding Series D 5.00% 7/1/32 (FSA) | \$8,500,000 | \$ 8,930,100 |
| Virgin Islands Public Finance Authority Revenue Series A 6.125% 10/1/29 (ACA) | 1,250,000 | 1,391,038 |
| | | ----- |
| | | 10,321,138 |
| | | ----- |
| Water & Sewer Revenue Bonds - 5.22% | | |
| Phoenix Civic Improvement Corporation Wastewater Refunding Junior Lien 5.00% 7/1/24 (FGIC) | 1,590,000 | 1,641,579 |
| Phoenix Civic Improvement Corporation Water Systems Revenue Junior Lien 5.00% 7/1/26 (FGIC) | 750,000 | 782,123 |
| | | ----- |
| | | 2,423,702 |
| | | ----- |
| TOTAL MUNICIPAL BONDS (cost \$65,058,444) | | 69,384,115 |
| | | ----- |
| TOTAL MARKET VALUE OF SECURITIES - 149.44% | | |
| (cost \$65,058,444) | | 69,384,115 |
| RECEIVABLES AND OTHER ASSETS | | |
| NET OF LIABILITIES - 4.41% | | 2,045,263 |
| LIQUIDATION VALUE OF PREFERRED STOCK - (53.85%) | | (25,000,000) |
| | | ----- |
| NET ASSETS APPLICABLE TO 2,982,200 COMMON SHARES (\$0.01 PAR VALUE) OUTSTANDING - 100.00% | | \$ 46,429,378 |
| | | ===== |
| Net Asset Value Per Common Share (\$46,429,378 / 2,982,200 Shares) | | \$15.57 |
| | | ----- |
| COMPONENTS OF NET ASSETS AT MARCH 31, 2004: | | |
| Common stock, \$0.01 par value, 200 million shares authorized to the Fund | | \$ 40,838,893 |
| Undistributed net investment income | | 1,126,683 |
| Accumulated net realized gain on investments | | 138,131 |
| Net unrealized appreciation of investments | | 4,325,671 |
| | | ----- |
| Total net assets | | \$ 46,429,378 |
| | | ===== |

*For Pre-Refunded Bonds, the stated maturity is followed by the year in which the bond is pre-refunded.

SUMMARY OF ABBREVIATIONS:

ACA - Insured by American Capital Access
 AMBAC - Insured by the AMBAC Assurance Corporation
 AMT - Subject to Alternative Minimum Tax
 FGIC - Insured by the Financial Guaranty Insurance Company

FHLMC - Insured by the Federal Home Loan Mortgage Corporation
 FNMA - Insured by Federal National Mortgage Association
 FSA - Insured by Financial Security Assurance
 GNMA - Insured by Government National Mortgage Association
 MBIA - Insured by the Municipal Bond Insurance Association
 RADIAN - Insured by Radian Asset Assurance

See accompanying notes

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DELAWARE INVESTMENTS FLORIDA INSURED MUNICIPAL INCOME FUND
 March 31, 2004

STATEMENTS
 OF NET ASSETS (CONTINUED)

| | Principal Amount | Market Value |
|---|---------------------|-----------------|
| MUNICIPAL BONDS - 148.30% | | |
| Airport Revenue Bonds - 2.77% | | |
| Dade County Aviation Revenue Series 96B | | |
| 5.60% 10/1/26 (MBIA) | \$1,000,000 | \$ 1,087,770 |
| | | ----- |
| | | 1,087,770 |
| | | ----- |
| Dedicated Tax & Fees Revenue Bonds - 22.93% | | |
| Florida State Department of Transportation | | |
| 5.00% 7/1/31 (FGIC) | 1,400,000 | 1,461,558 |
| Jacksonville Sales Tax Revenue | | |
| 5.00% 10/1/30 (MBIA) | 1,000,000 | 1,044,990 |
| Jacksonville Transportation Revenue | | |
| 5.25% 10/1/29 (MBIA) | 2,000,000 | 2,117,420 |
| Miami Beach Resort Tax Revenue | | |
| 5.50% 10/1/16 (AMBAC) | 1,000,000 | 1,103,440 |
| Orange County Public Service Tax Revenue | | |
| 6.00% 10/1/24 (FGIC) | 3,000,000 | 3,271,650 |
| | | ----- |
| | | 8,999,058 |
| | | ----- |
| Higher Education Revenue Bonds - 7.62% | | |
| Florida Agriculture & Mechanical | | |
| University Revenue | | |
| (Student Apartment Facility) | | |
| 5.625% 7/1/21 (MBIA) | 1,250,000 | 1,352,050 |
| Volusia County Educational | | |
| Facilities Authority | | |
| (Stetson University Project) | | |
| Series A 5.50% 6/1/17 (MBIA) | 1,500,000 | 1,638,450 |
| | | ----- |
| | | 2,990,500 |
| | | ----- |

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| | | |
|---|-------------|-------------|
| Hospital Revenue Bonds - 28.03% | | |
| Escambia County Health Facilities | | |
| Authority (Florida Health Care | | |
| Facilities - VHA Program) | | |
| 5.95% 7/1/20 (AMBAC) | 3,075,000 | 3,234,284 |
| Lee County Memorial Health System | | |
| Board of Directors | | |
| 5.00% 4/1/20 (FSA) | 1,000,000 | 1,052,840 |
| Orange County Health Facilities | | |
| Authority Revenue | | |
| (Adventist Health Systems) | | |
| 5.75% 11/15/25 (AMBAC) | 1,500,000 | 1,614,465 |
| Orange County Health Facilities | | |
| Authority Revenue | | |
| (Orlando Regional Healthcare) | | |
| Series A 6.25% 10/1/18 (MBIA) | 2,000,000 | 2,455,400 |
| Venice Health Care Revenue | | |
| (Bon Secours Health Systems Project) | | |
| 5.60% 8/15/16 (MBIA) | 2,405,000 | 2,641,604 |
| | | ----- |
| | | 10,998,593 |
| | | ----- |
| Multifamily Housing Revenue Bonds - 22.95% | | |
| Broward County Housing | | |
| Finance Authority | | |
| (St. Croix Apartments Project) | | |
| Series A 5.45% 11/1/36 (FSA) (AMT) | 1,000,000 | 1,043,740 |
| Florida Housing Finance Agency | | |
| (Homeowner Mortgage) Series 2 | | |
| 5.90% 7/1/29 (MBIA) (AMT) | 940,000 | 989,660 |
| | | |
| | Principal | Market |
| | Amount | Value |
| MUNICIPAL BONDS (continued) | | |
| Multifamily Housing Revenue Bonds (continued) | | |
| Florida Housing Finance Agency | | |
| (Leigh Meadows Apartments Section 8) | | |
| Series N 6.30% 9/1/36 | | |
| (AMBAC) (AMT) | \$2,510,000 | \$2,632,715 |
| Florida Housing Finance Agency | | |
| (Woodbridge Apartments Project) Series L | | |
| 6.05% 12/1/16 (AMBAC) (AMT) | 1,120,000 | 1,185,654 |
| 6.25% 6/1/36 (AMBAC) (AMT) | 1,500,000 | 1,576,365 |
| Volusia County Housing Finance Authority | | |
| (San Marco Apartments) Series A | | |
| 5.60% 1/1/44 (FSA) (AMT) | 1,500,000 | 1,576,875 |
| | | ----- |
| | | 9,005,009 |
| | | ----- |
| Municipal Lease Revenue Bonds - 23.71% | | |
| Broward School Board Certificates | | |
| of Participation Series A | | |
| 5.25% 7/1/24 (FSA) | 1,000,000 | 1,067,830 |
| Escambia County School Board | | |
| Certificates of Participation | | |

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| | | |
|--|-----------|-----------|
| Series 2 5.50% 2/1/22 (MBIA) | 5,000,000 | 5,375,900 |
| Orange County School Board Certificates of Participation Series A | | |
| 5.00% 8/1/27 (MBIA) | 1,250,000 | 1,300,800 |
| Palm Beach County School Board Certificates of Participation Series D 5.00% 8/1/28 (FSA) | 1,500,000 | 1,562,025 |
| | | ----- |
| | | 9,306,555 |
| | | ----- |
| Ports & Harbors Revenue Bonds - 2.63% | | |
| Florida Ports Financing Commission State Transportation Trust Fund | | |
| 5.375% 6/1/27 (MBIA) (AMT) | 1,000,000 | 1,031,670 |
| | | ----- |
| | | 1,031,670 |
| | | ----- |
| *Pre-Refunded Bonds - 21.96% | | |
| Dade County School Board Certificates of Participation Series B | | |
| 5.60% 8/1/17-06 (AMBAC) | 1,000,000 | 1,101,300 |
| Reedy Creek Improvement District (Florida Sports Complex) Series A | | |
| 5.75% 6/1/13-05 (MBIA) | 2,300,000 | 2,423,188 |
| Sunrise Utility System Revenue Series A | | |
| 5.75% 10/1/26-06 (AMBAC) | 2,500,000 | 2,776,300 |
| Tampa Utility Tax Improvement Series A | | |
| 6.125% 10/1/19-09 (AMBAC) | 1,000,000 | 1,192,500 |
| Village Center Community Development District Recreational Revenue Series A | | |
| 5.85% 11/1/16-06 (MBIA) | 1,000,000 | 1,125,630 |
| | | ----- |
| | | 8,618,918 |
| | | ----- |
| State General Obligation Bonds - 5.94% | | |
| Florida State Board of Education (Capital Outlay Public Education) | | |
| Series C 6.00% 6/1/21 (FGIC) | 2,000,000 | 2,329,560 |
| | | ----- |
| | | 2,329,560 |
| | | ----- |

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DELAWARE INVESTMENTS FLORIDA INSURED MUNICIPAL INCOME FUND
STATEMENTS
OF NET ASSETS (CONTINUED)

| | Principal Amount | Market Value |
|-------------------------------------|---------------------|-----------------|
| MUNICIPAL BONDS (continued) | | |
| Water & Sewer Revenue Bonds - 9.76% | | |

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| | | |
|--|-------------|---------------|
| Dade County Water & Sewer System Revenue 5.50% 10/1/25 (FGIC) | \$1,100,000 | \$ 1,171,203 |
| Indian River County Water & Sewer Revenue 5.50% 9/1/16 (FGIC) | 1,000,000 | 1,100,960 |
| Village Center Community Development District Florida Utility Revenue 5.00% 10/1/36 (MBIA) | 1,500,000 | 1,559,925 |
| | | ----- |
| | | 3,832,088 |
| | | ----- |
| TOTAL MUNICIPAL BONDS (cost \$53,303,445) | | 58,199,721 |
| | | ----- |
| TOTAL MARKET VALUE OF SECURITIES - 148.30% (cost \$53,303,445) | | 58,199,721 |
| RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES - 2.66% | | 1,043,942 |
| LIQUIDATION VALUE OF PREFERRED STOCK - (50.96%) | | (20,000,000) |
| | | ----- |
| NET ASSETS APPLICABLE TO 2,422,200 SHARES OUTSTANDING - 100.00% | | \$ 39,243,663 |
| | | ===== |
| Net Asset Value Per Common Share (\$39,243,663 / 2,422,200 Shares) | | \$16.20 |
| | | ----- |
| COMPONENTS OF NET ASSETS AT MARCH 31, 2004: | | |
| Common stock, \$0.01 par value, unlimited shares authorized to the Fund | | \$ 33,361,389 |
| Undistributed net investment income | | 985,998 |
| Net unrealized appreciation of investments | | 4,896,276 |
| | | ----- |
| Total net assets | | \$ 39,243,663 |
| | | ===== |

*For Pre-Refunded Bonds, the stated maturity is followed by the year in which the bond is pre-refunded.

SUMMARY OF ABBREVIATIONS:

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

See accompanying notes

| | Principal Amount | Market Value |
|---|---------------------|-----------------|
| MUNICIPAL BONDS - 148.84% | | |
| Airport Revenue Bonds - 10.22% | | |
| Denver City & County Airport Revenue Refunding Series E 5.25% 11/15/23 (MBIA) | \$7,500,000 | \$ 7,960,275 |
| | | ----- |
| | | 7,960,275 |
| | | ----- |
| City General Obligation Bonds - 2.68% | | |
| Bowles Metropolitan District 5.00% 12/1/33 (FSA) | 2,000,000 | 2,086,340 |
| | | ----- |
| | | 2,086,340 |
| | | ----- |
| Continuing Care/Retirement Revenue Bonds - 3.46% | | |
| Colorado Health Facilities Authority Revenue (Porter Place) Series A 6.00% 1/20/36 (GNMA) | 2,515,000 | 2,695,728 |
| | | ----- |
| | | 2,695,728 |
| | | ----- |
| Convention Center/Auditorium/Hotel Revenue Bonds - 4.00% | | |
| Denver Convention Center Series A 5.00% 12/1/33 (XLCA) | 3,000,000 | 3,115,170 |
| | | ----- |
| | | 3,115,170 |
| | | ----- |
| Dedicated Tax & Fees Revenue Bonds - 11.08% | | |
| Broomfield County Sales & Use Tax Revenue Refunding & Improvement Series A 5.00% 12/1/31 (AMBAC) | 650,000 | 676,150 |
| Denver City & County Excise Tax Revenue (Colorado Convention Center Project) Series A 5.00% 9/1/20 (FSA) | 6,500,000 | 6,882,330 |
| Golden Sales & Use Tax Revenue Improvement Series B 5.10% 12/1/20 (AMBAC) | 1,000,000 | 1,071,140 |
| | | ----- |
| | | 8,629,620 |
| | | ----- |
| Higher Education Revenue Bonds - 33.81% | | |
| Boulder County Development Revenue (University Corporation for Atmospheric Research) 5.00% 9/1/26 (MBIA) | 4,500,000 | 4,676,355 |
| Colorado Educational & Cultural Facilities Authority (Johnson & Wales University Project) Series A 5.00% 4/1/28 (XLCA) | 3,000,000 | 3,114,510 |
| Colorado Educational & Cultural Facilities Authority (University of Colorado Foundation Project) 5.00% 7/1/27 (AMBAC) | 4,000,000 | 4,168,480 |
| Colorado Educational & Cultural Facilities Authority (University of Denver Project) 5.50% 3/1/21 (AMBAC) | 3,200,000 | 3,536,032 |
| Colorado Educational & Cultural Facilities | | |

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| | | |
|--|------------------|--------------|
| Authority (University of Northern Colorado) 5.00% 7/1/31 (MBIA) | 2,500,000 | 2,586,600 |
| Colorado Springs Revenue (Colorado College Project) 5.375% 6/1/32 (MBIA) | 5,000,000 | 5,373,299 |
| Colorado State Colleges Board of Trustees Auxiliary Systems Revenue (Adams State College) 5.75% 5/15/19 (MBIA) | 1,000,000 | 1,015,730 |
| Colorado State University Systems 5.00% 3/1/35 (AMBAC) | 1,800,000 | 1,871,208 |
| | | ----- |
| | | 26,342,214 |
| | | ----- |
| | Principal Amount | Market Value |
| MUNICIPAL BONDS (continued) | | |
| Hospital Revenue Bonds - 4.46% | | |
| Colorado Health Facilities Authority (Boulder Community Hospital Project) Series B 5.875% 10/1/23 (MBIA) | \$1,925,000 | \$ 1,998,035 |
| Colorado Health Facilities Authority (North Colorado Medical Center) 5.95% 5/15/12 (MBIA) | 1,420,000 | 1,474,386 |
| | | ----- |
| | | 3,472,421 |
| | | ----- |
| Multifamily Housing Revenue Bonds - 5.73% | | |
| Burlingame Multifamily Housing Revenue Series A 6.00% 11/1/29 (MBIA) | 2,290,000 | 2,442,400 |
| Snowmass Village Multifamily Housing Revenue (Essential-Function Housing) 6.25% 12/15/16 (FSA) | 2,000,000 | 2,023,120 |
| | | ----- |
| | | 4,465,520 |
| | | ----- |
| Municipal Lease Revenue Bonds - 17.51% | | |
| Arapahoe County Library District Certificates of Participation 5.70% 12/15/10 (MBIA) | 2,000,000 | 2,197,319 |
| Aurora Certificates of Participation 5.50% 12/1/30 (AMBAC) | 2,000,000 | 2,186,160 |
| Aurora Educational Development Revenue (Community College of Aurora Foundation) 6.00% 10/15/15 (Connie Lee) | 1,500,000 | 1,550,715 |
| Broomfield City & County Certificates of Participation 5.75% 12/1/24 (AMBAC) | 1,500,000 | 1,684,905 |
| Eagle County Certificates of Participation 5.40% 12/1/18 (MBIA) | 1,000,000 | 1,109,430 |
| Lakewood Certificates of Participation 5.375% 12/1/22 (AMBAC) | 2,000,000 | 2,171,480 |
| Westminster Building Authority | | |

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| | | |
|--|-----------|------------|
| Certificates of Participation | | |
| 5.25% 12/1/22 (MBIA) | 1,555,000 | 1,658,470 |
| Westminster Certificates of Participation (Ice Centre Project) | | |
| 5.40% 1/15/23 (AMBAC) | 1,000,000 | 1,078,260 |
| | | ----- |
| | | 13,636,739 |
| | | ----- |
| Parking Revenue Bonds - 3.48% | | |
| Auraria Higher Education Center Parking Facilities System Revenue | | |
| 5.50% 4/1/26 (AMBAC) | 2,485,000 | 2,708,377 |
| | | ----- |
| | | 2,708,377 |
| | | ----- |
| Political Subdivision General Obligation Bonds - 8.21% | | |
| Arapahoe County Water & Wastewater Public Improvement Refunding Series A 5.125% 12/1/32 (MBIA) | 1,000,000 | 1,049,360 |
| G V R Metropolitan District 5.75% 12/1/19 (AMBAC) | 1,000,000 | 1,142,170 |
| Pueblo County 5.80% 6/1/11 (MBIA) | 1,405,000 | 1,522,823 |
| Pueblo County (Library District Project) 5.80% 11/1/19 (AMBAC) | 1,395,000 | 1,597,931 |
| Stonegate Village Metropolitan District Refunding & Improvement Series A 5.50% 12/1/21 (FSA) | 1,000,000 | 1,086,170 |
| | | ----- |
| | | 6,398,454 |
| | | ----- |

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DELAWARE INVESTMENTS COLORADO INSURED MUNICIPAL INCOME FUND, INC.
STATEMENTS
OF NET ASSETS (CONTINUED)

| | Principal Amount | Market Value |
|--|---------------------|-----------------|
| MUNICIPAL BONDS (continued) | | |
| *Pre-Refunded Bonds - 8.71% | | |
| Archuleta & Hinsdale Counties School District #50JT 5.55% 12/1/20-10 (MBIA) | \$4,000,000 | \$ 4,445,200 |
| Denver City & County Certificates of Participation Series B 5.50% 12/1/25-06 (AMBAC) | 2,000,000 | 2,336,340 |
| | | ----- |
| | | 6,781,540 |
| | | ----- |
| School District General Obligation Bonds - 14.32% | | |
| Adams & Arapahoe Counties | | |

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| | | |
|---|-----------|---------------|
| School District #28J | | |
| 5.00% 12/1/22 (FSA) | 2,000,000 | 2,123,480 |
| Adams County School District #1 | | |
| 5.00% 12/1/16 (FSA) | 1,490,000 | 1,636,616 |
| Douglas County School District #Re-1 | | |
| (Douglas & Elbert Counties) | | |
| 5.00% 12/15/21 (MBIA) | 1,000,000 | 1,048,110 |
| El Paso County School District #20 | | |
| 5.625% 12/15/16 (AMBAC) | 2,800,000 | 3,061,659 |
| 5.625% 12/15/16 (MBIA) | 1,000,000 | 1,093,450 |
| Larimer Weld & Boulder Counties | | |
| School Districts #R-2J | | |
| 5.00% 12/15/15 (FSA) | 1,950,000 | 2,195,876 |
| | | ----- |
| | | 11,159,191 |
| | | ----- |
| Turnpike/Toll Road Revenue Bonds - 13.60% | | |
| E-470 Public Highway Authority Series A | | |
| 5.75% 9/1/29 (MBIA) | 3,000,000 | 3,385,980 |
| 5.75% 9/1/35 (MBIA) | 1,700,000 | 1,926,559 |
| Northwest Parkway Public Highway | | |
| Authority Series A | | |
| 5.25% 6/15/41 (FSA) | 5,000,000 | 5,285,550 |
| | | ----- |
| | | 10,598,089 |
| | | ----- |
| Water & Sewer Revenue Bonds - 7.57% | | |
| Colorado Water Resources & Power | | |
| Development Authority Small Water | | |
| Resources Revenue Series A | | |
| 5.80% 11/1/20 (FGIC) | 2,000,000 | 2,292,880 |
| Lafayette Water Revenue Series A | | |
| 5.00% 12/1/27 (MBIA) | 1,100,000 | 1,152,063 |
| Ute Utility Water Conservancy | | |
| District Water Revenue | | |
| 5.75% 6/15/20 (MBIA) | 2,155,000 | 2,454,308 |
| | | ----- |
| | | 5,899,251 |
| | | ----- |
| TOTAL MUNICIPAL BONDS (cost \$107,364,015) | | 115,948,929 |
| | | ----- |
| TOTAL MARKET VALUE OF SECURITIES - 148.84% | | |
| (cost \$107,364,015) | | 115,948,929 |
| RECEIVABLES AND OTHER ASSETS | | |
| NET OF LIABILITIES - 2.51% | | 1,953,717 |
| LIQUIDATION VALUE OF PREFERRED STOCK - (51.35%) | | (40,000,000) |
| | | ----- |
| NET ASSETS APPLICABLE TO 4,837,100 SHARES | | |
| OUTSTANDING - 100.00% | | \$ 77,902,646 |
| | | ----- |
| Net Asset Value Per Common Share | | |
| (\$77,902,646/4,837,100 Shares) | | \$16.11 |
| | | ----- |

COMPONENTS OF NET ASSETS AT MARCH 31, 2004:

| | |
|---|--------------|
| Common stock, \$0.01 par value, 200 million shares authorized to the Fund | \$67,238,110 |
| Undistributed net investment income | 2,003,077 |
| Accumulated net realized gain on investments | 76,545 |
| Net unrealized appreciation of investments | 8,584,914 |
| | ----- |
| Total net assets | \$77,902,646 |
| | ----- |

*For Pre-Refunded Bonds, the stated maturity is followed by the year in which the bond is pre-refunded.

SUMMARY OF ABBREVIATIONS:

AMBAC - Insured by the AMBAC Assurance Corporation
 Connie Lee - Insured by the College Construction Insurance Association
 FGIC - Insured by the Financial Guaranty Insurance Company
 FSA - Insured by Financial Security Assurance
 GNMA - Insured by Government National Mortgage Association
 MBIA - Insured by the Municipal Bond Insurance Association
 XLCA - Insured by XL Capital Assurance

See accompanying notes

STATEMENTS
 OF OPERATIONS

DELAWARE INVESTMENTS CLOSED-END MUNICIPAL
 Year Ended March 31, 2004

| | Delaware Investments Minnesota Municipal Income Fund, Inc. | Delaware Investments Minnesota Municipal Income Fund II, Inc. |
|--|---|--|
| INVESTMENT INCOME: | | |
| Interest | \$3,066,885 | \$8,939,709 |
| | ----- | ----- |
| EXPENSES: | | |
| Management fees | 238,071 | 678,695 |
| Accounting and administration expenses | 85,000 | 85,292 |
| Remarketing agent fees | 39,915 | 119,923 |
| Legal and professional fees | 36,827 | 41,323 |
| Transfer agent fees and expenses | 30,934 | 40,928 |
| Reports and statements to shareholders | 16,315 | 15,680 |
| Rating agency fees | 9,416 | 5,853 |
| Directors'/Trustees' Fees | 7,400 | 9,400 |

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| | | |
|---|-------------|-------------|
| Stock exchange fees | 2,641 | 6,015 |
| Custodian fees | 2,170 | 5,007 |
| Other | 9,684 | 15,937 |
| | ----- | ----- |
| | 478,373 | 1,024,053 |
| Less expenses paid indirectly | (3,597) | (9,016) |
| | ----- | ----- |
| Total expenses | 474,776 | 1,015,037 |
| | ----- | ----- |
| NET INVESTMENT INCOME | 2,592,109 | 7,924,672 |
| | ----- | ----- |
| NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS: | | |
| Net realized gain on investments | 650,891 | 1,299,317 |
| Net change in unrealized appreciation/depreciation of investments | (316,556) | 221,686 |
| | ----- | ----- |
| NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS | 334,335 | 1,521,003 |
| | ----- | ----- |
| DIVIDENDS ON PREFERRED STOCK | (262,664) | (595,374) |
| | ----- | ----- |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | \$2,663,780 | \$8,850,301 |
| | ===== | ===== |

See accompanying notes

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STATEMENTS OF OPERATIONS (CONTINUED)

DELAWARE INVESTMENTS CLOSED-END MUN

| | Delaware Investments Arizona Municipal Income Fund, Inc. | Delaware Investments Florida Insured Municipal Income Fund |
|--|---|---|
| INVESTMENT INCOME: | | |
| Interest | \$3,522,532 | \$3,069,713 |
| | ----- | ----- |
| EXPENSES: | | |
| Management fees | 283,694 | 237,523 |
| Accounting and administration expenses | 85,000 | 85,000 |
| Remarketing agent fees | 34,907 | 49,978 |
| Legal and professional fees | 28,607 | 35,421 |
| Transfer agent fees and expenses | 11,753 | 9,212 |
| Directors'/Trustees' Fees | 8,900 | 6,708 |
| Reports and statements to shareholders | 8,171 | 5,675 |
| Rating agency fees | 6,000 | 1,110 |

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| | | |
|---|-------------|-------------|
| Stock exchange fees | 3,973 | 2,036 |
| Custodian fees | 2,911 | 2,832 |
| Other | 10,867 | 3,080 |
| | ----- | ----- |
| | 484,783 | 438,575 |
| Less expenses paid indirectly | (4,612) | (3,174) |
| | ----- | ----- |
| Total expenses | 480,171 | 435,401 |
| | ----- | ----- |
| NET INVESTMENT INCOME | 3,042,361 | 2,634,312 |
| | ----- | ----- |
| NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS: | | |
| Net realized gain on investments | 315,397 | 52,390 |
| Net change in unrealized appreciation/depreciation of investments | 501,711 | (362,616) |
| | ----- | ----- |
| NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS | 817,108 | (310,226) |
| | ----- | ----- |
| DIVIDENDS ON PREFERRED STOCK | (271,690) | (209,938) |
| | ----- | ----- |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | \$3,587,779 | \$2,114,148 |
| | ===== | ===== |

See accompanying notes

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| | | |
|---|---|--------------|
| STATEMENTS | DELAWARE INVESTMENTS | |
| OF CHANGES IN NET ASSETS | | |
| | Delaware Investments Minnesota Municipal Income Fund, Inc. | |
| | Year Ended | |
| | 3/31/04 | 3/31/03 |
| INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS: | | |
| Net investment income | \$ 2,592,109 | \$ 2,902,399 |
| Net realized gain on investments | 650,891 | 995,361 |
| Net change in unrealized appreciation/depreciation of investments | (316,556) | 973,094 |
| Dividends on preferred stock | (262,664) | (266,220) |
| | ----- | ----- |
| Net increase in net assets resulting from operations | 2,663,780 | 4,604,634 |
| | ----- | ----- |
| DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM: | | |
| Net investment income | (2,432,531) | (2,309,357) |

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| | | |
|---------------------------------------|--------------|--------------|
| Net realized gain on investments | (1,375,191) | (168,655) |
| | ----- | ----- |
| | (3,807,722) | (2,478,012) |
| | ----- | ----- |
| NET INCREASE (DECREASE) IN NET ASSETS | (1,143,942) | 2,126,622 |
| NET ASSETS: | | |
| Beginning of period | 40,122,396 | 37,995,774 |
| | ----- | ----- |
| End of period | \$38,978,454 | \$40,122,396 |
| | ===== | ===== |
| Undistributed net investment income | \$ 805,302 | \$ 748,386 |
| | ===== | ===== |

Delaware Investments Minnesota Municipal Income Fund III, Inc.

Year Ended
3/31/04 3/31/03

| | | |
|---|--------------|--------------|
| INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS: | | |
| Net investment income | \$ 1,898,759 | \$ 1,991,078 |
| Net realized gain on investments | 562,903 | 326,287 |
| Net change in unrealized appreciation/depreciation of investments | (350,631) | 1,367,753 |
| Dividends on preferred stock | (152,709) | (206,640) |
| | ----- | ----- |
| Net increase in net assets resulting from operations | 1,958,322 | 3,478,478 |
| | ----- | ----- |
| DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM: | | |
| Net investment income | (1,616,736) | (1,524,928) |
| Net realized gain on investments | -- | -- |
| | ----- | ----- |
| | (1,616,736) | (1,524,928) |
| | ----- | ----- |
| NET INCREASE IN NET ASSETS | 341,586 | 1,953,550 |
| NET ASSETS: | | |
| Beginning of period | 26,259,594 | 24,306,044 |
| | ----- | ----- |
| End of period | \$26,601,180 | \$26,259,594 |
| | ===== | ===== |
| Undistributed net investment income | \$ 758,251 | \$ 607,389 |
| | ===== | ===== |

See accompanying notes

STATEMENTS

OF CHANGES IN NET ASSETS (CONTINUED)

DELAWARE INVESTMENTS C

Delaware
Investments Florida
Insured Municipal
Income Fund

Year Ended
3/31/04 3/31/03

INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS:

| | | |
|---|--------------|--------------|
| Net investment income | \$ 2,634,312 | \$ 2,625,096 |
| Net realized gain on investments | 52,390 | 384,200 |
| Net change in unrealized appreciation/depreciation of investments | (362,616) | 2,487,451 |
| Dividends on preferred stock | (209,938) | (264,652) |
| | ----- | ----- |
| Net increase in net assets resulting from operations | 2,114,148 | 5,232,095 |
| | ----- | ----- |

DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:

| | | |
|----------------------------------|-------------|-------------|
| Net investment income | (2,410,089) | (2,276,965) |
| Net realized gain on investments | (111,421) | -- |
| | ----- | ----- |
| | (2,521,510) | (2,276,965) |
| | ----- | ----- |

NET INCREASE (DECREASE) IN NET ASSETS

(407,362) 2,955,130

NET ASSETS:

| | | |
|-------------------------------------|--------------|--------------|
| Beginning of period | 39,651,025 | 36,695,895 |
| | ----- | ----- |
| End of period | \$39,243,663 | \$39,651,025 |
| | ===== | ===== |
| Undistributed net investment income | \$ 985,998 | \$ 960,590 |
| | ===== | ===== |

See accompanying notes

FINANCIAL

HIGHLIGHTS

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

| | DELAWARE INVESTMENTS | MINN | |
|--|----------------------|-----------|-------|
| | Ye | | |
| | 3/31/04 (6) | 3/31/03 | 3/31 |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$15.460 | \$14.640 | \$14 |
| INCOME (LOSS) FROM INVESTMENT OPERATIONS: | | | |
| Net investment income | 0.999 | 1.119 | 1 |
| Net realized and unrealized gain (loss) on investments | 0.130 | 0.758 | (0 |
| Dividends on preferred stock from: | | | |
| Net investment income | (0.054) | (0.094) | (0 |
| Net realized gain on investments | (0.047) | (0.008) | |
| Total dividends on preferred stock | (0.101) | (0.102) | (0 |
| Total from investment operations | 1.028 | 1.775 | 0 |
| LESS DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM: | | | |
| Net investment income | (0.938) | (0.890) | (0 |
| Net realized gain on investments | (0.530) | (0.065) | |
| Total dividends and distributions | (1.468) | (0.955) | (0 |
| NET ASSET VALUE, END OF PERIOD | \$15.020 | \$15.460 | \$14 |
| MARKET VALUE, END OF PERIOD | \$16.600 | \$16.000 | \$14 |
| TOTAL INVESTMENT RETURN BASED ON: (2) | | | |
| Market value | 13.86% | 17.74% | 7 |
| Net asset value | 6.62% | 12.29% | 4 |
| RATIOS AND SUPPLEMENTAL DATA: | | | |
| Net assets applicable to common shares, end of period (000 omitted) | \$38,978 | \$40,122 | \$37 |
| Ratio of expenses to average net assets applicable to common shares(3) | 1.20% | 1.21% | 1 |
| Ratio of net investment income to average net assets applicable to common shares(3) | 6.57% | 7.35% | 8 |
| Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares(4) | 5.90% | 6.68% | 6 |
| Portfolio turnover | 50% | 38% | |
| LEVERAGE ANALYSIS: | | | |
| Value of preferred shares outstanding (000 omitted) | \$20,000 | \$20,000 | \$20 |
| Net asset coverage per share of preferred shares, end of period | \$147,445 | \$150,306 | \$144 |
| Liquidation value per share of preferred shares(5) | \$ 50,000 | \$ 50,000 | \$ 50 |

(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 period 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 divided by average net assets applicable to common shareholders.

(5) Excluding any accumulated but unpaid dividends.

(6) The average shares outstanding method has been applied for per share information.

See accompanying notes

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FINANCIAL HIGHLIGHTS (CONTINUED)

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

| | DELAWARE INVESTMENTS MINNESOTA | | |
|--|--------------------------------|----------|----------|
| | Year | Year | Year |
| | 3/31/04 (6) | 3/31/03 | 3/31/02 |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$15.060 | \$14.280 | \$14.280 |
| INCOME (LOSS) FROM INVESTMENT OPERATIONS: | | | |
| Net investment income | 1.093 | 1.143 | 1.143 |
| Net realized and unrealized gain (loss) on investments | 0.207 | 0.689 | (0.112) |
| Dividends on preferred stock from: | | | |
| Net investment income | (0.082) | (0.112) | (0.112) |
| Total dividends on preferred stock | (0.082) | (0.112) | (0.112) |
| Total from investment operations | 1.218 | 1.720 | 0.919 |
| LESS DIVIDENDS TO COMMON SHAREHOLDERS FROM: | | | |
| Net investment income | (0.998) | (0.940) | (0.940) |
| Total dividends | (0.998) | (0.940) | (0.940) |

| | | | |
|--|-------------------|-------------------|-------------------|
| NET ASSET VALUE, END OF PERIOD | \$15.280 ===== | \$15.060 ===== | \$14.000 ===== |
| Market value, end of period | \$16.800 ===== | \$15.300 ===== | \$14.000 ===== |
| TOTAL INVESTMENT RETURN BASED ON: (2) | | | |
| Market value | 16.87% | 15.84% | 5.00% |
| Net asset value | 7.99% | 12.19% | 4.00% |
| RATIOS AND SUPPLEMENTAL DATA: | | | |
| Net assets applicable to common shares, end of period (000 omitted) | \$110,828 | \$109,212 | \$103,000 |
| Ratio of expenses to average net assets applicable to common shares(3) | 0.93% | 1.03% | 1.00% |
| Ratio of net investment income to average net assets applicable to common shares(3) | 7.23% | 7.74% | 8.00% |
| Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares(4) | 6.69% | 6.99% | 6.00% |
| Portfolio turnover | 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 | \$142,357 | \$141,010 | \$136,000 |
| 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 period 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 divided by average net assets applicable to common shareholders.
- (5) Excluding any accumulated but unpaid dividends.
- (6) The average shares outstanding method has been applied for per share information.

See accompanying notes

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FINANCIAL
HIGHLIGHTS (CONTINUED)Selected data for each share of the Fund outstanding
throughout each period were as follows:

| | DELAWARE INVESTMENTS MINNESOTA | | |
|--|--------------------------------|-----------|-----------|
| | 3/31/04 (6) | 3/31/03 | 3/31/02 |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$14.290 | \$13.230 | \$13.230 |
| INCOME (LOSS) FROM INVESTMENT OPERATIONS: | | | |
| Net investment income | 1.034 | 1.084 | 1.084 |
| Net realized and unrealized gain (loss) on investments | 0.119 | 0.918 | (0.119) |
| Dividends on preferred stock from: | | | |
| Net investment income | (0.083) | (0.112) | (0.112) |
| Total dividends on preferred stock | (0.083) | (0.112) | (0.112) |
| Total from investment operations | 1.070 | 1.890 | 0.853 |
| LESS DIVIDENDS TO COMMON SHAREHOLDERS FROM: | | | |
| Net investment income | (0.880) | (0.830) | (0.830) |
| Total dividends | (0.880) | (0.830) | (0.830) |
| NET ASSET VALUE, END OF PERIOD | \$14.480 | \$14.290 | \$13.230 |
| MARKET VALUE, END OF PERIOD | \$16.160 | \$14.800 | \$13.230 |
| TOTAL INVESTMENT RETURN BASED ON: (2) | | | |
| Market value | 15.76% | 20.72% | 15.76% |
| Net asset value | 7.43% | 14.53% | 7.43% |
| RATIOS AND SUPPLEMENTAL DATA: | | | |
| Net assets applicable to common shares, end of period (000 omitted) | \$26,601 | \$26,260 | \$24,601 |
| Ratio of expenses to average net assets applicable to common shares(3) | 1.23% | 1.32% | 1.23% |
| Ratio of net investment income to average net assets applicable to common shares(3) | 7.20% | 7.80% | 7.20% |
| Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares(4) | 6.62% | 6.99% | 6.62% |
| Portfolio turnover | 41% | 23% | 41% |
| 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 | \$138,670 | \$137,532 | \$131,670 |
| 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 period 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 divided by average net assets applicable to common shareholders.

(5) Excluding any accumulated but unpaid dividends.

(6) The average shares outstanding method has been applied for per share information.

See accompanying notes

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FINANCIAL

HIGHLIGHTS (CONTINUED)

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

| | DELAWARE INVESTMENTS ARIZONA | | |
|--|------------------------------|----------|----------|
| | Year | | |
| | 3/31/04 (6) | 3/31/03 | 3/31/02 |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$15.480 | \$14.650 | \$14.650 |
| INCOME (LOSS) FROM INVESTMENT OPERATIONS: | | | |
| Net investment income | 1.020 | 1.067 | 1.067 |
| Net realized and unrealized gain (loss) on investments | 0.276 | 0.988 | (0.007) |
| Dividends on preferred stock from: | | | |
| Net investment income | (0.075) | (0.103) | (0.103) |
| Net realized gain on investments | (0.016) | (0.018) | (0.018) |
| Total dividends on preferred stock | (0.091) | (0.121) | (0.121) |

| | | | |
|--|-----------|-----------|-------|
| Total from investment operations | 1.205 | 1.934 | 0 |
| LESS DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM: | | | |
| Net investment income | (0.960) | (0.940) | (0) |
| Net realized gain on investments | (0.155) | (0.164) | (0) |
| Total dividends and distributions | (1.115) | (1.104) | (0) |
| NET ASSET VALUE, END OF PERIOD | \$15.570 | \$15.480 | \$14 |
| MARKET VALUE, END OF PERIOD | \$16.560 | \$15.490 | \$14 |
| TOTAL INVESTMENT RETURN BASED ON: (2) | | | |
| Market value | 14.64% | 12.74% | 10 |
| Net asset value | 7.86% | 13.44% | 4 |
| RATIOS AND SUPPLEMENTAL DATA: | | | |
| Net assets applicable to common shares, end of period (000 omitted) | \$46,429 | \$46,167 | \$43 |
| Ratio of expenses to average net assets applicable to common shares(3) | 1.05% | 1.16% | 1 |
| Ratio of net investment income to average net assets applicable to common shares(3) | 6.63% | 6.96% | 7 |
| Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares(4) | 6.04% | 6.18% | 5 |
| Portfolio turnover | 30% | 24% | |
| LEVERAGE ANALYSIS: | | | |
| Value of preferred shares outstanding (000 omitted) | \$25,000 | \$25,000 | \$25 |
| Net asset coverage per share of preferred shares, end of period | \$142,858 | \$142,334 | \$137 |
| Liquidation value per share of preferred shares(5) | \$50,000 | \$50,000 | \$50 |

(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 period 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 divided by average net assets applicable to common shareholders.

(5) Excluding any accumulated but unpaid dividends.

(6) The average shares outstanding method has been applied for per share information.

See accompanying notes

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FINANCIAL

HIGHLIGHTS (CONTINUED)

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

| | DELAWARE INVESTMENTS FLORIDA INSURE | | |
|--|-------------------------------------|----------|---------------------------|
| | 3/31/04 (6) | 3/31/03 | Year Ended 3/31/02 (1) |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$16.370 | \$15.150 | \$15.400 |
| INCOME (LOSS) FROM INVESTMENT OPERATIONS: | | | |
| Net investment income | 1.088 | 1.084 | 1.071 |
| Net realized and unrealized gain (loss) on investments | (0.130) | 1.186 | (0.337) |
| Dividends on preferred stock from: | | | |
| Net investment income | (0.082) | (0.109) | (0.179) |
| Net realized gain on investments | (0.005) | -- | -- |
| | ----- | ----- | ----- |
| Total dividends on preferred stock | (0.087) | (0.109) | (0.179) |
| | ----- | ----- | ----- |
| Total from investment operations | 0.871 | 2.161 | 0.555 |
| | ----- | ----- | ----- |
| LESS DIVIDENDS TO COMMON SHAREHOLDERS FROM: | | | |
| Net investment income | (0.995) | (0.941) | (0.805) |
| Net realized gain on investments | (0.046) | -- | -- |
| | ----- | ----- | ----- |
| Total dividends | (1.041) | (0.941) | (0.805) |
| | ----- | ----- | ----- |
| NET ASSET VALUE, END OF PERIOD | \$16.200 | \$16.370 | \$15.150 |
| | ===== | ===== | ===== |
| MARKET VALUE, END OF PERIOD | \$16.650 | \$15.050 | \$14.020 |
| | ===== | ===== | ===== |
| TOTAL INVESTMENT RETURN BASED ON: (2) | | | |
| Market value | 18.04% | 14.17% | 12.63% |
| Net asset value | 5.59% | 14.92% | 4.16% |
| RATIOS AND SUPPLEMENTAL DATA: | | | |
| Net assets applicable to common shares, end of period (000 omitted) | \$39,244 | \$39,651 | \$36,696 |
| Ratio of expenses to average net assets applicable to common shares(3) | 1.11% | 1.18% | 1.34% |
| Ratio of net investment income to average net assets applicable to common shares(3) | 6.70% | 6.81% | 6.95% |
| Ratio of net investment income to average net assets | | | |

| | | | |
|---|-------|-------|-------|
| applicable to common shares net of dividends to preferred shares(4) | 6.16% | 6.13% | 5.79% |
| Portfolio turnover | 3% | 13% | 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 | \$148,110 | \$149,128 | \$141,740 |
| 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 period 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 divided by average net assets applicable to common shareholders.

(5) Excluding any accumulated but unpaid dividends.

(6) The average shares outstanding method has been applied for per share information.

See accompanying notes

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FINANCIAL

HIGHLIGHTS (CONTINUED)

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

| | DELAWARE INVESTMENTS COLORADO INSURED M | | |
|--------------------------------------|---|----------|-------------|
| | Year Ended | | |
| | 3/31/04 (6) | 3/31/03 | 3/31/02 (1) |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$15.920 | \$14.780 | \$15.260 |

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| | | | |
|--|-----------|-----------|-----------|
| INCOME (LOSS) FROM INVESTMENT OPERATIONS: | | | |
| Net investment income | 1.043 | 1.068 | 1.094 |
| Net realized and unrealized gain (loss) on investments | 0.324 | 1.324 | (0.401) |
| Dividends on preferred stock from: | | | |
| Net investment income | (0.077) | (0.098) | (0.172) |
| Net realized gain on investments | (0.013) | (0.023) | (0.051) |
| Total dividends on preferred stock | (0.090) | (0.121) | (0.223) |
| Total from investment operations | 1.277 | 2.271 | 0.470 |
| LESS DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM: | | | |
| Net investment income | (0.960) | (0.940) | (0.818) |
| Net realized gain on investments | (0.127) | (0.191) | (0.132) |
| Total dividends and distributions | (1.087) | (1.131) | (0.950) |
| NET ASSET VALUE, END OF PERIOD | \$16.110 | \$15.920 | \$14.780 |
| MARKET VALUE, END OF PERIOD | \$16.960 | \$16.650 | \$14.700 |
| TOTAL INVESTMENT RETURN BASED ON: (2) | | | |
| Market value | 8.76% | 21.31% | 7.52% |
| Net asset value | 8.05% | 15.37% | 3.15% |
| RATIOS AND SUPPLEMENTAL DATA: | | | |
| Net assets applicable to common shares, end of period (000 omitted) | \$77,903 | \$76,988 | \$71,506 |
| Ratio of expenses to average net assets applicable to common shares(3) | 1.01% | 1.05% | 1.01% |
| Ratio of net investment income to average net assets applicable to common shares(3) | 6.54% | 6.83% | 7.18% |
| Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares(4) | 5.98% | 6.08% | 5.71% |
| Portfolio turnover | 13% | 14% | 37% |
| 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 | \$147,379 | \$146,235 | \$139,382 |
| 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 period 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 divided by average net assets applicable to common shareholders.

(5) Excluding any accumulated but unpaid dividends.

(6) The average shares outstanding method has been applied for per share information.

See accompanying notes

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DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS
March 31, 2004

NOTES

TO FINANCIAL STATEMENTS

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 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 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 accounting principles generally accepted in the United States 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 accounting principles generally accepted in the United States 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 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 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 -- Certain expenses of the Funds are paid through commission arrangements with brokers. In addition, the Funds may receive earnings credits from their custodian when positive cash balances are maintained, which are used to offset custody fees. The expenses paid under the above arrangements are included in their respective expense captions on the Statements of Operations with the corresponding expense offset shown as "expenses paid indirectly." The amounts of these expenses for the year ended March 31, 2004 were as follows:

| | Minnesota Municipal Fund I | Minnesota Municipal Fund II | Minnesota Municipal Fund III | Arizona Municipal Fund | Florida Insur Municipal Fund |
|------------------------|----------------------------------|-----------------------------------|------------------------------------|------------------------------|------------------------------------|
| | ----- | ----- | ----- | ----- | ----- |
| Pricing Reimbursements | \$1,427 | \$4,069 | \$992 | \$1,701 | \$1,424 |
| Earnings Credits | 2,170 | 4,947 | 1,900 | 2,911 | 1,750 |

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.

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.

At March 31, 2004, the Funds had liabilities payable to affiliates as follows:

| | Minnesota Municipal Fund I | Minnesota Municipal Fund II | Minnesota Municipal Fund III | Arizona Municipal Fund |
|--|----------------------------------|-----------------------------------|------------------------------------|------------------------------|
| | ----- | ----- | ----- | ----- |
| Investment management fee payable to DMC | \$19,871 | \$57,410 | \$13,992 | \$24,023 |
| Accounting, administration and other expenses payable to DSC | 13,091 | 11,154 | 12,251 | 8,928 |
| Other expenses payable to DMC and affiliates* | 22,864 | 24,042 | 22,523 | 22,876 |

*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, registration fees, and trustees'/directors' fees.

DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS

NOTES

TO FINANCIAL STATEMENTS (CONTINUED)

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

Certain internal legal expenses are allocated to the Funds. For the year ended March 31, 2004, 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 allocated costs of \$4,514, \$11,939, \$2,803, \$5,121, \$4,489, and \$8,503, respectively.

Certain officers of DMC and DSC are officers and/or directors/trustees of the Funds. These officers and directors/trustees are paid no compensation by the Funds.

3. INVESTMENTS

For the year ended March 31, 2004, the Funds made purchases and sales of investment securities as follows:

| Minnesota Municipal | Minnesota Municipal | Minnesota Municipal | Arizona Municipal | Florida Ins Municipal |
|------------------------|------------------------|------------------------|----------------------|--------------------------|
|------------------------|------------------------|------------------------|----------------------|--------------------------|

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| | Fund I | Fund II | Fund III | Fund | Fund |
|-----------|--------------|--------------|--------------|--------------|-----------|
| | ----- | ----- | ----- | ----- | ----- |
| Purchases | \$29,353,225 | \$56,028,577 | \$17,115,344 | \$20,812,342 | \$1,485,6 |
| Sales | 30,674,078 | 55,972,120 | 16,852,681 | 22,047,239 | 1,837,0 |

At March 31, 2004, the cost of investments and unrealized appreciation (depreciation) for federal income tax purposes for each Fund were as follows:

| | Minnesota Municipal Fund I | Minnesota Municipal Fund II | Minnesota Municipal Fund III | Arizona Municipal Fund | FL |
|-----------------------------------|----------------------------------|-----------------------------------|------------------------------------|------------------------------|-------|
| | ----- | ----- | ----- | ----- | ----- |
| Cost of Investments | \$55,143,199 | \$160,910,606 | \$38,504,514 | \$65,040,026 | |
| | ===== | ===== | ===== | ===== | |
| Aggregate Unrealized Appreciation | \$2,996,799 | \$9,092,105 | \$2,589,940 | \$4,391,725 | |
| Aggregate Unrealized Depreciation | (30,803) | (505,897) | (59,771) | (47,636) | |
| | ----- | ----- | ----- | ----- | |
| Net Unrealized Appreciation | \$2,965,996 | \$8,586,208 | \$2,530,169 | \$4,344,089 | |
| | ===== | ===== | ===== | ===== | |

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 accounting principles generally accepted in the United States. The tax character of dividends and distributions paid during the years ended March 31, 2004 and 2003 were as follows:

| | Minnesota Municipal Fund | | Min |
|------------------------|--------------------------|-------------|-------|
| | ----- | ----- | ----- |
| | 3/31/04 | 3/31/03 | |
| Tax-exempt income | \$2,538,026 | \$2,553,713 | \$7, |
| Ordinary income | 122,453 | -- | |
| Long-term capital gain | 1,409,907 | 190,519 | |
| | ----- | ----- | ----- |
| Total | \$4,070,386 | \$2,744,232 | \$7, |
| | ===== | ===== | ===== |

| | Minnesota Municipal Fund III | | |
|------------------------|------------------------------|-------------|-------|
| | ----- | ----- | ----- |
| | 3/31/04 | 3/31/03 | |
| Tax-exempt income | \$1,750,401 | \$1,731,568 | \$3, |
| Ordinary Income | 19,044 | -- | |
| Long-term capital gain | -- | -- | |
| | ----- | ----- | ----- |
| Total | \$1,769,445 | \$1,731,568 | \$3, |
| | ===== | ===== | ===== |

| | Florida Insured Municipal Fund | | Colorado |
|------------------------|--------------------------------|-------------|-------------|
| | 3/31/04 | 3/31/03 | 3/31/03 |
| Tax-exempt income | \$2,608,022 | \$2,541,617 | \$5,000,000 |
| Ordinary Income | -- | -- | -- |
| Long-term capital gain | 123,426 | -- | -- |
| Total | \$2,731,448 | \$2,541,617 | \$5,000,000 |

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DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS

NOTES

TO FINANCIAL STATEMENTS (CONTINUED)

4. DIVIDEND AND DISTRIBUTION INFORMATION (CONTINUED)

As of March 31, 2004, the components of net assets on a tax basis were as follows:

| | Minnesota Municipal Fund | Minnesota Municipal Fund II |
|---------------------------------|--------------------------|-----------------------------|
| Paid in capital | \$35,426,619 | \$99,710,000 |
| Undistributed tax-exempt income | 805,302 | 3,358,447 |
| Capital loss carry forward | -- | (826,809) |
| Post-October loss | (219,463) | -- |
| Unrealized appreciation | 2,965,996 | 8,586,208 |
| Net assets | \$38,978,454 | \$110,827,846 |

| | Arizona Municipal Fund | Florida Insured Municipal Fund |
|---------------------------------|------------------------|--------------------------------|
| Paid in capital | \$40,838,893 | \$33,361,389 |
| Undistributed tax-exempt income | 1,126,683 | 985,998 |
| Undistributed ordinary income | 81,954 | -- |
| Undistributed long-term gains | 37,759 | -- |
| Unrealized appreciation | 4,344,089 | 4,896,276 |
| Net assets | \$46,429,378 | \$39,243,663 |

Post-October losses represent losses realized on investment transactions from November 1, 2003 through March 31, 2004 that, in accordance with federal income

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tax regulations, the Funds have elected to defer and treat as having arisen in the following fiscal year.

For financial reporting purposes, capital accounts and distributions to shareholders are adjusted to reflect the tax character of permanent book/tax differences. For the year ended March 31, 2004, the Funds recorded the following permanent reclassifications. Reclassifications are primarily due to tax treatment of market discount on certain debt instruments and expiration of capital loss carry forwards. Results of operations and net assets were not affected by these reclassifications.

| | Minnesota Municipal Fund | Minnesota Municipal Fund II |
|-------------------------------------|--------------------------|-----------------------------|
| | ----- | ----- |
| Undistributed net investment income | 37,290 | 59,698 |
| Accumulated realized gain (loss) | (37,290) | (59,698) |
| Paid-in capital | -- | -- |

| | Arizona Municipal Fund | Florida Insured Municip |
|-------------------------------------|------------------------|-------------------------|
| | ----- | ----- |
| Undistributed net investment income | 14,007 | (882) |
| Accumulated realized gain (loss) | (14,007) | 882 |

For federal income tax purposes, certain Funds had accumulated capital losses as of March 31, 2004, which may be carried forward and applied against future capital gains. Such capital loss carryforward amounts will expire as follows:

| | 2005 | 2006 | 2008 | 2009 |
|------------------------------|----------|-----------|-----------|-----------|
| | ---- | ---- | ---- | ---- |
| Minnesota Municipal Fund II | \$73,298 | \$132,129 | \$437,162 | \$175,804 |
| Minnesota Municipal Fund III | 455,666 | 6,539 | 56,856 | 153,308 |

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 ending March 31, 2004. Shares issuable under the Fund's dividend reinvestment plan are purchased by the Fund's transfer agent, Mellon Investor Services, LLC, in the open market.

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/Trustees, 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.

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DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS

NOTES

TO FINANCIAL STATEMENTS (CONTINUED)

5. CAPITAL STOCK (CONTINUED)

Dividends for the outstanding preferred shares of each Fund are cumulative at a rate established at the initial public offering and are typically reset every 28 days based on the results of an auction. Dividend rates (adjusted for any capital gain distributions) ranged during the year ended March 31, 2004 as follows:

| Fund | Low | | High |
|---------------------------------|-------|----|-------|
| ---- | ----- | | ----- |
| Minnesota Municipal Fund | 0.89% | to | 1.22% |
| Minnesota Municipal Fund II | 0.75% | to | 1.25% |
| Minnesota Municipal Fund III | 0.80% | to | 1.30% |
| Arizona Municipal Fund | 0.82% | to | 1.12% |
| Florida Insured Municipal Fund | 0.80% | to | 1.15% |
| Colorado Insured Municipal Fund | 0.65% | to | 1.17% |

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 state, 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.

7. CONTRACTUAL OBLIGATIONS

The Funds enter into contracts 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 and expect the risk of loss to be remote.

8. TAX INFORMATION (UNAUDITED)

The information set forth is for the Funds' 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 was sent to them in early 2004. Please consult your tax advisor for proper treatment of this information.

For the year ended March 31, 2004, each Fund designates as long-term capital gains, ordinary income, and tax-exempt income distributions paid during the year as follows:

| | Long-Term Capital Gains Distributions-15%(a) | Long-Term Capital Gains Distributions-20% | Ordinary Income Distributions |
|---------------------------------|--|---|-------------------------------------|
| Minnesota Municipal Fund I | 8% | 27% | 3% |
| Minnesota Municipal Fund II | -- | -- | 1% |
| Minnesota Municipal Fund III | -- | -- | 1% |
| Arizona Municipal Fund | 5% | 5% | 5% |
| Florida Insured Municipal Fund | 2% | 3% | -- |
| Colorado Insured Municipal Fund | 2% | 9% | 1% |

(a) For the year ended March 31, 2004, certain long-term capital gains distributions paid by the Funds may be subject to a maximum tax rate of 15%, as provided by the Jobs and Growth Tax Relief Reconciliation Act of 2003. Minnesota Municipal Income Fund, Arizona Municipal Income Fund, Florida Insured Municipal

Income Fund, and Colorado Insured Municipal Income Fund designated \$307,077, \$178,521, \$53,008, and \$115,296, respectively, to be taxed at a maximum rate of 15%. Complete information was computed and reported in conjunction with your 2003 Form 1099-DIV.

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REPORT
OF INDEPENDENT AUDITORS

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, 2004, 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 Fund's 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 auditing standards generally accepted in the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of March 31, 2004, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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, 2004, 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 accounting principles generally accepted in the United States.

Ernst & Young LLP

Philadelphia, Pennsylvania
May 7, 2004

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DELAWARE INVESTMENTS FAMILY OF FUNDS

BOARD OF DIRECTORS/TRUSTEES AND OFFICERS ADDENDUM

A fund is governed by a Board of Trustees/Directors (hereinafter referred to as 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 | Pos C by T |
|--|-------------------------------------|---|---|------------------|
| ----- | | | | |
| INTERESTED TRUSTEES | | | | |
| JUDE T. DRISCOLL(2) 2005 Market Street Philadelphia, PA 19103 March 10, 1963 | Chairman and Trustee(4) | 4 Years - Executive Officer Trustee since May 15, 2003 | Since August 2000, Mr. Driscoll has served in various executive capacities at different times at Delaware Investments(1) Senior Vice President and Director of Fixed-Income Proce Conseco Capital Management (June 1998 - August 2000) Managing Director - NationsBanc Capital Markets (February 1996 - June 1998) | |
| ----- | | | | |
| INDEPENDENT TRUSTEES | | | | |
| WALTER P. BABICH 2005 Market Street Philadelphia, PA 19103 October 1, 1927 | Trustee | 16 Years | Board Chairman - Citadel Construction Corporat (1989 - Present) | |
| JOHN H. DURHAM 2005 Market Street Philadelphia, PA 19103 August 7, 1937 | Trustee | 25 Years(3) | Private Investor | |
| JOHN A. FRY 2005 Market Street Philadelphia, PA 19103 | Trustee(4) | 3 Years | President - Franklin & Marshall Colleg (June 2002 - Present) | |

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May 28, 1960

Executive Vice President
University of Pennsylvania
(April 1995 - June 2002)

ANTHONY D. KNERR
2005 Market Street
Philadelphia, PA
19103

Trustee

11 Years

Founder/Managing Director -
Anthony Knerr & Associates
(Strategic Consulting)
(1990 - Present)

December 7, 1938

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| Name, Address and Birthdate | Position(s) Held with Fund(s) | Length of Time Served | Principal Occupation(s) During Past 5 Years | Posi C by T |
|-----------------------------------|-------------------------------------|--------------------------|--|-------------------|
|-----------------------------------|-------------------------------------|--------------------------|--|-------------------|

INDEPENDENT TRUSTEES (CONTINUED)

ANN R. LEVEN
2005 Market Street
Philadelphia, PA
19103

Trustee

15 Years

Treasurer/Chief Fiscal Officer
National Gallery of Art
(1994 - 1999)

November 1, 1940

THOMAS F. MADISON
2005 Market Street
Philadelphia, PA
19103

Trustee

10 Years

President/Chief
Executive Officer -
MLM Partners, Inc.
(Small Business Investing
and Consulting)
(January 1993 - Present)

February 25, 1936

JANET L. YEOMANS
2005 Market Street
Philadelphia, PA
19103

Trustee

5 Years

Vice President/Mergers &
Acquisitions - 3M Corporation
(January 2003 - Present)

July 31, 1948

Ms. Yeomans has held
various management
positions at 3M Corporation
since 1983.

OFFICERS

JOSEPH H. HASTINGS
2005 Market Street
Philadelphia, PA
19103

Executive
Vice President
and
Chief Financial

Executive
Vice President
and
Chief Financial

Mr. Hastings has served in
various executive capacities
at different times at
Delaware Investments.

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| | Officer | Officer since | |
|--|---|--|---|
| December 19, 1949 | | August 21, 2003 | |
| RICHELLE S. MAESTRO 2005 Market Street Philadelphia, PA 19103 | Executive Vice President, Chief Legal Officer and Secretary | Chief Legal Officer since March 17, 2003 | Ms. Maestro has served in various executive capacities at different times at Delaware Investments. |
| November 26, 1957 | | | |
| MICHAEL P. BISHOF 2005 Market Street Philadelphia, PA 19103 | Senior Vice President and Treasurer | 8 Years | Mr. Bishof has served in various executive capacities at different times at Delaware Investments. |
| August 18, 1962 | | | |

- (1) Delaware Investments is the marketing name for Delaware Management Holdings, Inc. and its subsidiaries.
- (2) Mr. Driscoll is considered to be an "Interested Trustee" because he is an executive officer of the Fund's manager and distributor.
- (3) Mr. Durham served as a Director Emeritus from 1995 through 1998.
- (4) Mr. Driscoll and Mr. Fry are not Trustees of the portfolios of Voyageur Insured Funds, Voyageur Intermediate Tax Free Funds, Voyageur Investment Trust, Voyageur Mutual Funds, Voyageur Mutual Funds II, Voyageur Mutual Funds III and Voyageur Tax Free Funds.

The Statement of Additional Information for the Fund(s) includes additional information about the Trustees and Officers and is available, without charge, upon request by calling 800 523-1918.

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Delaware
Investments (SM)

A member of Lincoln Financial Group (R)

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 resold, 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

WALTER P. BABICH
Board Chairman
Citadel Construction Corporation
King of Prussia, PA

AFFILIATED OFFICERS

JOSEPH H. HASTINGS
Executive Vice President and
Chief Financial Officer
Delaware Investments Family of Funds
Philadelphia, PA

RICHELLE S. MAESTRO
Executive Vice President,

CONTACT INFO

INVESTMENT M
Delaware Man
Philadelphia

INTERNATIONA
Delaware Int
London, Engl

JOHN H. DURHAM
Private Investor
Gwynedd Valley, PA

Chief Legal Officer and Secretary
Delaware Investments Family of Funds
Philadelphia, PA

PRINCIPAL OF
2005 Market
Philadelphia

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

MICHAEL P. BISHOP
Senior Vice President and Treasurer
Delaware Investments Family of Funds
Philadelphia, PA

INDEPENDENT
Ernst & Young
2001 Market
Philadelphia

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

REGISTRAR AND
Mellon Investment
Overpeck Center
85 Challenge
Ridgefield Park
800 851-9677

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

FOR SECURITY
INSTITUTIONS
800 362-7500

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

WEB SITE
www.delawareinvestments.com

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

NUMBER OF RE
MARCH 31, 20
Minnesota Mu
Minnesota Mu
Minnesota Mu
Arizona Muni
Florida Insu
Colorado Ins
Income Fun

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

A description of the policies and procedures that the Funds use 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 the Funds' website at
<http://www.delawareinvestments.com>; and (iii) on the Commission's website at
<http://www.sec.gov>; and beginning no later than August 31, 2004, information
(if any) regarding how the Funds voted proxies relating to portfolio securities
during the most recent 12-month period ended June 30 is available without charge
(i) through the Funds' website at <http://www.delawareinvestments.com>; and (ii)
on the Commission's website 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:

Ann R. Leven
Thomas F. Madison
Janet L. Yeomans(1)

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 \$16,950 for the fiscal year ended March 31, 2004.

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 \$26,550 for the fiscal year ended March 31, 2003.

(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 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 \$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(s) and other service providers under common control with the adviser(s) 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: These audit-related services were as follows: issuance of agreed-upon procedures reports to the Fund's Board in connection with the annual accounting service agent contract renewal and the pass-through of internal legal costs relating to the operations of the Fund.

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 \$9,000 for the fiscal year ended March 31, 2003. 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(s) and other service providers under common control with the adviser(s) and that relate directly to the operations or financial reporting of the Registrant were \$21,800 for the Registrant's fiscal year ended March 31, 2003. 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 Fund's Board in connection with the annual accounting service agent contract renewal and the pass-through of internal legal costs relating to the operations of the Fund.

(c) Tax fees.

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 returns/review of excise returns.

The aggregate fees billed by the Registrant's independent auditors for tax-related services provided to the Registrant's investment adviser(s) and other service providers under common control with the adviser(s) 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. 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%.

The aggregate fees billed by the Registrant's independent auditors for tax-related services provided to the Registrant were \$1,150 for the fiscal year ended March 31, 2003. The percentage of these fees relating to services approved by the Registrant's Audit Committee pursuant to the de minimis exception from the pre-approval requirement in Rule 2-01(c)(7)(i)(C) of Regulation S-X was 0%. These tax-related services were as follows: review of income tax returns/review of excise returns.

The aggregate fees billed by the Registrant's independent auditors for tax-related services provided to the Registrant's adviser(s) and other service providers under common control with the adviser(s) and that relate directly to the operations or financial reporting of the Registrant were \$0 for the Registrant's fiscal year ended March 31, 2003. 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%.

(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, 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%.

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(s) and other service providers under common control with the adviser(s) 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. 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%.

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, 2003. 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%.

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(s) and other service providers under common control with the adviser(s) and that relate directly to the operations or financial reporting of the Registrant were \$0 for the Registrant's fiscal year ended March 31, 2003. 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%.

(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(s) and other service providers under common control with the adviser(s) were \$166,625 and \$186,100 for the Registrant's fiscal years ended March 31, 2004 and March 31, 2003, 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(s) and other service providers under common control with the adviser(s) 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 Ann R. Leven, Thomas F. Madison and Janet L. Yeomans.

Item 6. [Reserved]

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. Beginning no later than August 31, 2004, 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. Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers

Required only for periods ending on or after June 15, 2004.

Item 9. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 10. Controls and Procedures

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

There were no significant changes in the registrant's internal control over financial reporting that occurred during the registrant's last fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 11. 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: Chairman

Date: 6/3/04

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: Chairman

Date: 6/3/04

JOSEPH H. HASTINGS

By: Joseph H. Hastings

Title: Chief Financial Officer

Date: 6/3/04

