DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND II INC
Form N-CSR
June 06, 2008

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: 811-7420

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

Address of principal executive offices:
2005 Market Street
Philadelphia, PA 19103

Name and address of agent for service:
David F. Connor, Esq.
2005 Market Street
Philadelphia, PA 19103

Registrant's telephone number, including area code: (800) 523-1918

Date of fiscal year end: March 31

Date of reporting period: March 31, 2008

Item 1. Reports to Stockholders

Annual Report

Delaware Investments
Closed-End
Municipal Bond

Funds

March 31, 2008

Closed-end funds

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

Portfolio management review

Delaware Investments Closed-End Municipal Bond Funds

April 8, 2008

The managers of Delaware closed-end municipal bond funds provided the answers to the questions below as a review of the funds’ activities for the fiscal year that ended March 31, 2008.

What were some of the major news events that influenced the investment environment for municipal bonds during the fiscal year ended March 31, 2008?

The fiscal year was eventful, with a credit crisis triggered by difficulties in the mortgage markets. Investment conditions within the municipal bond market as well as in the broader fixed income markets were extremely perilous. We defined several distinct phases as we looked back on the year. Each phase presented its unique challenges to bond investors and affected the municipal markets to varying degrees.

During the early part of the fiscal year, the municipal market was fairly steady. The fixed income markets were warned early of things to come as news items highlighting the problems of hedge funds invested in securities with exposure to subprime mortgages briefly shook the taxable markets.

During the summer months, the first real phase of the credit crisis hit and the municipal markets participated fully. This represented a change from previous credit events, when the flight to quality was led by the Treasury market and closely followed by the relatively “safe” municipal bond asset class. This time, municipals experienced price deterioration that looked more like those that generally take place within the high yield and emerging markets bond sectors. We believe the difference was a result of selling pressure by nontraditional buyers, whose buying activity during the previous several years had helped the municipal market to frequently outperform in the face of record and near-record new issue supply.

We believe these alternative investors needed to deleverage in this tenuous market and accordingly sold what assets they could. Compounding the problem, the dealer community’s capital was declining. As a result, members of the dealer community pulled back their inventory positions and were less willing to provide liquidity into the market.

What began as a liquidity issue, though, evolved into a credit crisis in November. Concerns grew stronger regarding credit ratings for monoline insurers, which underwrite insurance for much of the debt that municipalities issue. In recent years, these insurance companies have sought faster growth by insuring new and different types of investment vehicles, including the structured investment vehicles that many believe to be at the root of the credit crisis. As a result, several AAA-rated insurance providers were warned during the calendar year that they might be required to increase their capital levels to maintain top-tier ratings.

The fears surrounding insurer credit ratings further amplified outflows from the municipal debt market. These fears forced already wary municipal bond investors to re-evaluate credit ratings on what many had considered to be safe investments.

In the first quarter of calendar 2008, actual downgrades of some of the AAA-rated insurers triggered pricing pressure on municipal bonds. It impacted both leveraged buyers of municipal bonds and a funding vehicle within the municipal market called auction rate securities, or ARS. The leveraged buyers, known as tender option bond programs (TOBs), were squeezed as their hedges worked against them.

TOBs allow owners to borrow at a short-term rate and reinvest the proceeds in higher-yielding, longer-term bonds. These investors were long municipal bonds, the underperforming asset. This led to margin calls and more selling of tax-exempt securities, and eventually to more downward pressure on municipal prices.

Another casualty of the insurer downgrades during the quarter was the tax-exempt ARS market. These bonds have long maturities, but have rates that reset between 7 and 35 days based on an auction process that matches potential

The views expressed are current as of the date of this report and are subject to change.

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Portfolio management review

Delaware Investments Closed-End Municipal Bond Funds

buyers with sellers. Under normal market conditions, a successful auction provides face value liquidity for any holders wishing to exit the position. As the ratings of Financial Guaranty Insurance Company (FGIC) and XL Capital Assurance were downgraded from AAA, buyers of these securities became very cautious. At the same time, the dealer community, facing liquidity constraints, was in no position to step in and fill the void. Auctions started failing, forcing resets to contractual maximum rates, which often were punitive from the issuer's perspective. Several issuers have responded by converting their ARS into longer-term securities.

These forces culminated at the end of February. The already constrained dealer community had shifted its focus primarily to the auction rate market. The TOBs had massive sell lists of intermediate and long-term bonds. Without strong dealer support, the municipal market suffered. Long-term municipal yields rose for three straight days while the Treasury market rallied.

New issue volume nationally set a record in calendar 2007, although issuance slowed as the year progressed. Overall, a record $427 billion in new tax-exempt municipal bonds were issued in 2007. New-issue volume early in 2008 remains quiet, with the pace through the end of March off 25% from the same period one year ago (source: Bond Buyer).

How did the technical environment change during the year?

The yield curve steepened significantly during the year. The fiscal year began with the curve historically narrow — at 58 basis points between 2- and 30-year maturity bonds (yields of 3.54% and 4.12%, respectively). The steepening of the curve occurred with each phase of the liquidity crisis, and by the end of March 2008 the curve had widened to 267 basis points.

As might be expected given the credit environment described earlier, municipal bonds traded more cheaply than Treasury bonds as the year wore on. Municipal bonds started the year with 30-year yields at 85% of those of long Treasury bonds. Municipal bonds normally trade with lower yields than Treasury bonds due to their favorable tax treatment. When the first phase of the credit crunch hit in July, the municipal bond to Treasury yield ratio began to increase in July and jumped higher with each subsequent credit event.

At the end of February 2008, the relative yield ratios for municipals soared under the selling pressure from the TOBs. The ratio of yields between 30-year municipal and Treasury bonds exploded from an already historically cheap 103.4% to an unprecedented 116.3%. In March, municipals recovered only modestly and ended the quarter extremely cheap relative to Treasury bonds — at 113.4%. To put these ratios in perspective, this ratio has averaged 93% during the past 10 years and the previous high (with available data going back to 1981) was 102.5%. (Source: Thomson.)

Delaware Investments Arizona Municipal Income Fund, Inc.

What conditions prevailed in the Arizona economy?

Arizona's housing market has softened significantly since March 2007, like that of much of the nation. Median home prices in the Phoenix area had declined 15% year-over-year as of December 2007, significantly more than the national median decline of 9% (source: Standard & Poor's).

Recent slowing in the rate of employment reflects the impact of a weakened housing sector, which can also be seen in the state's construction sectors. After two years of double-digit growth, employment figures for calendar year 2007 show a 6.6% decline in construction jobs. (Source: Moody's.)

According to U.S. Labor Department data, Arizona unemployment rates, at 4% during the month of February 2008, remained below national rates of 4.8%. Arizona's nonfarm payroll employment growth of 1.2% in 2007 was considerably weaker than the state's 5% growth in 2006 (source: Moody's).

Recurring revenues for the state's fiscal year ended June 30, 2007, as well as initial estimates through Dec. 31, 2008, from sales and individual income tax collections, were lower than projected thus far. The decline

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in tax collections corresponds to a 5% income tax cut granted for fiscal year July 1, 2007, through June 30, 2008. The state also lost $200 million of ongoing property tax revenues last fiscal year when it elected to eliminate the state equalization property tax for fiscal years 2007 through 2009.

The governor's many proposals to bridge the resulting budget gaps include a hiring freeze on all cabinet agencies, budget reductions, and deferring capital outlay projects. The state of municipal bond issuance in Arizona reflects the need to offset such budget woes through a significant issuance increase of 61.4% in 2007, to total $8.8 billion (source: Bond Buyer).

How did you position the Fund?

We focused on balancing the Fund — both to remain true to our core philosophy of generating competitive tax-exempt income and to strategically position the investment portfolio — given our expectation of a steeper yield curve and a tenuous credit environment.

During the year, we methodically adjusted the Fund's positioning to mitigate losses and to seek yield, where possible. For example, we reduced the Fund's exposure to insured bonds (from 45% to 38% as a percentage of net assets, including the liquidation value of preferred stock) at fiscal year end. On average, the Lehman Brothers Municipal Bond Index consisted of 43% insured bonds during the fiscal year. (This percentage dropped in February 2008 to 34%, as Lehman only considers the AAA-rated insurers within their "insured" sub-index and during the month a couple of the insurers lost their AAA rating.)

This underweight served the Fund well given the panic that overtook many investors regarding the quality of insurance that wraps municipal bond issues. As measured by the returns of the Lehman indices, the Insured Municipal Index underperformed the broad Lehman Brothers Municipal Bond Index for the 12 months ended March 31, 2008 (1.06% versus 1.90%, respectively) (source: Lehman Brothers).

Given our expectations for a steeper yield curve, we also trimmed the Fund's holdings on the long end (20-plus years) of the yield curve in favor of a greater investment in bonds with 3- to 15-year maturities — what we refer to as the "belly" of the yield curve. We believe that this change helped Fund performance during the year. Again, as gauged by the Lehman Brothers Municipal Bond Index returns — this time broken down by maturity — the belly outperformed the long end for the fiscal year. We also increased (from 26% to 33% as a percentage of net assets, including the liquidation value of preferred stock) the Fund's exposure to refunded bonds (also known as pre-refunded bonds) during the year. Pre-refunded bonds were among the better-performing bonds within the municipal market. They face minimal credit risk because they are backed by the invested debt proceeds of a second bond issue, which typically consist of U.S. Treasury securities.

What sectors or individual securities were noteworthy for their effect on Fund performance?

The largest detractors to the Fund's return were functions of credit and curve — investments further out on the yield curve and lower in quality. Within the Fund, bonds issued to finance education, as well as hospitals and other healthcare projects, fit this mold, underperforming other areas of the municipal bond market during the fiscal year. For example, among Fund holdings of healthcare bonds, a University Medical Center Corporation bond performed poorly. Rated Baa1 by Moody's and BBB+ by S&P, this revenue bond has a long final maturity of 2035.

On the positive side, relatively safe investments such as pre-refunded bonds were among the better-performing bonds within the municipal market. The two best-performing bonds were holdings that had been pre-refunded by the issuer during the year. Bonds issued by Oro Valley Municipal Property Corporation were among the examples of holdings whose performance benefited from pre-refunding during the year. The Fund's position in bonds issued by Scottsdale Industrial Development Authority for Scottsdale Healthcare also added to the Fund's return. This bond was refinanced before the year began.

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Portfolio management review

Delaware Investments Closed-End Municipal Bond Funds

Delaware Investments Colorado Municipal Income Fund, Inc.

What conditions prevailed in the Colorado economy?

Colorado's economy continues to show modest growth despite growing concern about the national economic picture. However, recent economic data suggest that Colorado could experience a mild slowdown. According to the Colorado Office of State Planning and Budgeting, the unemployment rate was 3.8% in Colorado for calendar year 2007, the lowest reading since 2000. Although Colorado's unemployment rate of 4.4% in the month of February 2008 is below national level of 4.8% for the same month, this subsequent rise in Colorado is evidence that the employment outlook has softened since December (source: U.S. Department of Labor).

After increasing 8.3% in fiscal year July 1, 2006, through June 30, 2007, due to healthy increases in individual income taxes, the state's gross general fund revenue forecasts are significantly lower for the upcoming years. National and global economic influences will likely continue to limit growth over the next year or two. Due to decreases associated with individual income tax receipts along with the near-term negative impact from the federal stimulus package, the forecast for state general fund revenues for fiscal years 2007–2008 fell $127.3 million. In spite of a weakening income tax base that is reducing expectations, total sales tax collections have remained relatively strong and are expected to increase 7.1% for the biennium. (Source: Colorado Office of State Planning and Budgeting.)

Municipal bond issuance in Colorado decreased 6.2% in 2007 to a total of almost $8.3 billion (source: The Bond Buyer).

In light of this macroeconomic environment, how did you position the Fund?

We focused on balancing the Fund — both to remain true to our core philosophy of generating competitive tax-exempt income and to strategically position the investment portfolio — given our expectation of a steeper yield curve and a tenuous credit environment.

During the year, we methodically adjusted the Fund's positioning to mitigate losses and to seek yield, where possible. For example, we reduced the Fund's exposure to insured bonds (from 63% to 56% as a percentage of net assets, including the liquidation value of preferred stock) at fiscal year end. Recall that during the fiscal year, the Fund's mandate was changed from an insured to a general Colorado fund. On average, the Lehman Brothers Municipal Bond Index consisted of 43% insured bonds during the fiscal year. (This percentage dropped in February 2008 to 34%, as Lehman only considers the AAA-rated insurers within their "insured" sub-index and during the month a couple of the insurers lost their AAA rating.)

Even at the reduced level, this overweight would have had a negative influence on the Fund's returns given the panic that overtook many investors regarding the quality of insurance that wraps municipal bond issues. As measured by the returns of the Lehman indices, the Insured Municipal Index underperformed the broad Lehman Brothers Municipal Bond Index for the 12 months ended March 31, 2008 (1.06% versus 1.90%, respectively). (Source: Lehman Brothers.)

Given our expectations for a steeper yield curve, we also trimmed the Fund's holdings on the long end (20-plus years) of the yield curve in favor of a greater investment in bonds with 2- to 15-year maturities — what we refer to as the belly of the yield curve. We believe that this change helped Fund performance during the year, and we would expect it to continue to help if the curve steepens further. Again, as gauged by the Lehman Brothers Municipal Bond Index returns this time broken down by maturity the belly outperformed the long end for the fiscal year. We also increased (from 32% to 38.5% as a percentage of net assets, including the liquidation value of preferred stock) the Funds exposure to refunded bonds (also known as pre-refunded bonds) during the year. Pre-refunded bonds were among the better-performing bonds within the municipal market. They face minimal credit risk because they are backed by the invested debt proceeds of a second bond issue, which typically consist of U.S. Treasury securities.

What sectors or individual securities were noteworthy for their effect on Fund performance?

The largest detractors to the Funds return were functions of credit and curve investments further out on the yield curve and lower in quality. Within the Fund, longer bonds insured by the insurers that received downgrades provided the weakest performance during the fiscal year. Representative of these was a Denver revenue bond issued for the Convention Center. Due in 2035, the bond was issued with insurance by XL Capital Assurance. During the first quarter of 2008, all three ratings agencies downgraded the bonds from AAA. The insurer-strength ratings for XL Capital from Moodys, S&P, and Fitch were A3, A-, and A, respectively.

On the positive side, relatively safe investments such as pre-refunded bonds were among the better-performing bonds within the municipal market. Two of the best-performing bonds were holdings that were pre-refunded by the issuer during the year. Bonds issued by Northwest Parkway Public Highway Authority were among the examples of holdings where performance benefited from pre-refunding during the year. The Funds position in revenue bonds issued by Aurora, Colo., also added to the Funds return. These bonds were refinanced before the year began.

Delaware Investments Minnesota Municipal Income Fund II, Inc.

What conditions prevailed in the Minnesota economy?

In our opinion, Minnesota has a fundamentally sound economy today. With a 30% share of local jobs, the service sector is the largest employer in Minnesota, with major employers in healthcare and business service companies. For the past two years the state has lagged the nation in employment growth. Unemployment levels have typically been one to two points below national averages. In recent months, the state has recorded levels higher than the national average. (Source: Moodys and Standard & Poors.)

According to the Minnesota Department of Finance, tax revenues for fiscal 2007 were up 2.2% and the states general fund ended fiscal 2007 with an increase over 2006.

The enacted $34.5 billion 2008 and 2009 budget projects total general fund spending to increase by more than 9%. Standard & Poors reports that a revision to the economic outlook resulted in the projection of lower revenues and a structural imbalance for the current and coming bienniums. State general fund revenues are now forecast to total $32.5 billion, leaving a projected $935 million deficit for the current biennium, with larger deficits predicted for the future.

Municipal bond issuance in Minnesota decreased 0.2% in calendar 2007 to a total of almost $6.7 billion (source: The Bond Buyer).

How did you position the Fund?

We focused on balancing the Fund both to remain true to our core philosophy of generating competitive tax-exempt income and to strategically position the investment portfolio given our expectation of a steeper yield curve and a tenuous credit environment.

During the year, we monitored and methodically adjusted the Funds positioning to mitigate losses and to seek yield, where possible. For example, the Fund maintained about a 28% (as a percentage of net assets, including the liquidation value of preferred stock) exposure to insured bonds. On average, the Lehman Brothers Municipal Bond Index consisted of 43% insured bonds during the fiscal year. (This percentage dropped in February 2008 to

34%, as Lehman only considers the AAA-rated insurers within their insured sub-index and during the month a couple of the insurers lost their AAA rating.)

This underweight served the Fund well given the panic that overtook many investors regarding the quality of insurance that wraps municipal bond issues. As measured by the returns of the Lehman indices, the Insured Municipal Index underperformed the broad Lehman Brothers Municipal Bond Index for the 12 months ended March 31, 2008 (1.06% versus 1.90%, respectively.) (Source: Lehman Brothers.)

Given our expectations for a steeper yield curve, we trimmed the Funds holdings on the long end (20-plus years) of the yield curve in favor of a greater investment in bonds with 2- to 15-year maturities what we refer to as

the belly of the yield curve. We believe that this change helped Fund performance during the year, and we would expect it to continue to help if the curve steepens further. Again, as gauged by the Lehman Brothers Municipal Bond Index returns this time broken down by maturity the belly outperformed the long end for the fiscal year. We also increased (from 24% to 26.5% as a percentage of net assets, including the liquidation value of preferred stock) the Funds exposure to refunded bonds (also known as pre-refunded bonds) during the year. Pre-refunded bonds were among the better-performing bonds within the municipal market. They face minimal credit risk because they are backed by the invested debt proceeds of a second bond issue, which typically consist of U.S. Treasury securities.

What sectors or individual securities were noteworthy for their effect on Fund performance?

The largest detractors to the Funds return were functions of credit and curve investments further out the yield curve and lower in quality. Within the Fund, bonds issued to finance education, as well as hospitals and other healthcare projects, fit this mold, underperforming other areas of the municipal bond market during the fiscal year. Likewise, industrial development revenue (IDR) bonds, which are issued by a government agency on behalf of a private sector company, detracted from the Funds returns largely for the same reasons. Among Fund holdings of healthcare bonds, a revenue bond issued by the City of St. Paul, due in 2036, performed poorly. Rated Baa1 by Moodys and BBB by S&P, this long revenue bond was issued to finance a not-for-profit integrated healthcare system.

On the positive side, relatively safe investments such as pre-refunded bonds were among the better-performing bonds within the municipal market. Three of the best-performing bonds were pre-refunded by the issuer during the year. Bonds issued by the City of Duluth for the Benedictine Health System were among the examples of holdings whose performance benefited from pre-refunding during the year. The Funds position in electric revenue bonds issued by the City of Rochester also added to the Funds return. These bonds were re-financed before the year began.

Delaware Investments National Municipal Income Fund

How was the Fund positioned differently during this fiscal year?

Effective Oct. 15, 2007, the name of the Fund was changed from Florida Insured Municipal Income Fund to National Municipal Income Fund, reflecting a changed investment strategy. The new strategy eliminated a fundamental investment policy requiring the Fund to invest 80% of its net assets in insured, AAA-rated municipal bonds issued by the State of Florida. The Fund may, as a nonfundamental policy, (1) invest without limitation in uninsured, investment grade municipal securities of states other than Florida (including those rated below AAA) and (2) invest up to 20% of its net assets in noninvestment grade municipal securities. As of March 31, 2008, about 80% of the Funds holdings remained in Florida bond issues.

Nationwide, what were a few highlights of the municipal debt market?

Bond sales in the United States for 2007 increased to more than $427 billion, which is 10% more than the 2006 figure of $388 million. This was record growth, yet the pace of sales slowed late in the calendar year and into 2008. In the first quarter of 2008, new-issue volume was off markedly from one year ago with the $80 billion coming to market representing a 25% decline from the same period a year ago (source: The Bond Buyer). Related to the overall slowing economic growth, unemployment across the country moved higher to 5.1% in March 2008. Most significantly, the housing crisis blamed on subprime mortgage woes had an extremely negative effect on the countrys overall economy, as described in the first section of this management review beginning on page 1.

How did you position the Fund?

We focused on balancing the Fund both to remain true to our core philosophy of generating competitive tax-exempt income and to strategically position the investment portfolio given our expectation of a steeper yield curve and a tenuous credit environment.

During the year, we methodically adjusted the Funds positioning to mitigate losses and to seek yield, where possible. For example, we reduced the Funds exposure to insured bonds (from 93% to 79% as a percentage of net assets, including the liquidation value of preferred stock) at fiscal year end. Recall that during the fiscal year, the Funds mandate was changed from an insured to a general market fund. On average, the Lehman Brothers Municipal Bond Index consisted of 43% insured bonds during the fiscal year. (This percentage dropped in February 2008 to 34%, as Lehman only considers the AAA-rated insurers within their insured sub-index and during the month a couple of the insurers lost their AAA rating.)

Even at the reduced level, this overweight would have had a negative influence on the Funds returns given the panic that overtook investors regarding the quality of insurance that wraps municipal bond issues. As measured by the returns of the Lehman indices, the Insured Municipal Index underperformed the broad Lehman Brothers Municipal Bond Index for the 12 months ended March 31, 2008 (1.06% versus 1.90%, respectively). (Source: Lehman Brohers.)

Given our expectations for a steeper yield curve, we also trimmed the Funds holdings on the long end (20-plus years) of the yield curve in favor of a greater investment in bonds with 2- to 15-year maturities what we refer to as the belly of the yield curve. Exposure to the long end of the curve was reduced from 76% to 60% at fiscal year end. We believe that this change helped Fund performance during the year, and we would expect it to continue to help if the curve steepens further. Again, as gauged by the Lehman Brothers Municipal Bond Index returns this time broken down by maturity the belly outperformed the long end for the fiscal year.

What sectors of individual securities were noteworthy for their effect on Fund performance?

The largest detractors to the Funds return were largely functions of curve investments further out on the yield curve. Within the Fund, longer bonds insured by the insurers receiving downgrades provided the weakest performance during the fiscal year. Representative of these was a Miami-Dade revenue bond issued for the international airport. Due in 2037, the bond was issued with insurance by Financial Guaranty Insurance Company (FGIC). During the first quarter of 2008, all three ratings agencies downgraded the bonds from AAA. As of the end of the fiscal year, the insurer-strength ratings for FGIC from Moodys, S&P, and Fitch were Baa3, BB, and BBB, respectively. This bond is rated higher (A2, A-, and A, respectively) based upon the underlying strength of the issue itself.

On the positive side, bonds in the belly of the curve and pre-refunded bonds were among the better-performing bonds. Bonds that have been pre-refunded face minimal credit risk because they are backed by the invested debt proceeds of a second bond issue, which typically consist of U.S. Treasury securities. One such bond was a Florida Board of Education bond originally due in 2021, pre-refunded to its first call date in 2010.

Fund basics

Delaware Investments
Arizona Municipal Income Fund, Inc.

As of March 31, 2008

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

Total Fund net assets
$41.3 million

Number of holdings
61

Fund start date
Feb. 26, 1993

Delaware Investments
Colorado Municipal Income Fund, Inc.
(Formerly Delaware Investments Colorado Insured Municipal Income Fund, Inc.)

As of March 31, 2008

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

Total Fund net assets
$69.0 million

Number of holdings
59

Fund start date
July 29, 1993

Delaware Investments
Minnesota Municipal Income Fund II, Inc.

As of March 31, 2008

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

Total Fund net assets
$163.3 million

Number of holdings
127

Fund start date
Feb. 26, 1993

Delaware Investments
National Municipal Income Fund
(Formerly Delaware Investments Florida Insured Municipal Income Fund)

As of March 31, 2008

Fund objective
The Fund seeks to provide current income exempt from regular federal income tax, consistent with preservation of capital.
Total Fund net assets
$32.4 million
Number of holdings
45
Fund start date
Feb. 26, 1993

Sector/State allocations and credit quality breakdowns

As of March 31, 2008

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

Delaware Investments
Arizona Municipal Income Fund, Inc.

Sector	Percentage of Net Assets
Municipal Bonds	**157.49%**
Education Revenue Bonds	16.52%
Electric Revenue Bonds	8.67%
Escrowed to Maturity Bond	6.28%
Health Care Revenue Bonds	17.06%
Housing Revenue Bonds	2.14%
Lease Revenue Bonds	6.45%
Local General Obligation Bonds	21.70%
Pre-Refunded Bonds	45.86%
Special Tax Revenue Bonds	15.56%
Transportation Revenue Bonds	7.75%
Water & Sewer Revenue Bonds	9.50%
Total Value of Securities	**157.49%**
Receivables and Other Assets Net of Liabilities	**3.05%**
Liquidation Value of Preferred Stock	**(60.54%)**
Total Net Assets	**100.00%**

Credit Quality Breakdown (as a % of fixed income investments)	
AAA	57.70%
AA	23.28%
A	5.72%
BBB	13.30%
Total	**100.00%**

Delaware Investments
Colorado Municipal Income Fund, Inc.

Sector	Percentage of Net Assets
Municipal Bonds	**155.05%**
Education Revenue Bonds	28.66%
Electric Revenue Bond	1.40%
Health Care Revenue Bonds	5.36%
Lease Revenue Bonds	8.16%
Local General Obligation Bonds	22.77%
Pre-Refunded Bonds	60.15%
Special Tax Revenue Bonds	11.38%
State General Obligation Bond	3.50%
Transportation Revenue Bond	1.43%
Water & Sewer Revenue Bonds	12.24%
Short-Term Investment	**1.36%**
Total Value of Securities	**156.41%**
Receivables and Other Assets Net of Liabilities	**1.58%**
Liquidation Value of Preferred Stock	**(57.99%)**
Total Net Assets	**100.00%**

Credit Quality Breakdown (as a % of fixed income investments)	
AAA	81.46%
AA	8.30%
A	10.24%
Total	**100.00%**

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

Delaware Investments
Minnesota Municipal Income Fund II, Inc.

Sector	Percentage of Net Assets
Municipal Bonds	**160.05%**
Corporate-Backed Revenue Bonds	6.36%
Education Revenue Bonds	6.67%
Electric Revenue Bonds	21.46%
Escrowed to Maturity Bonds	17.50%
Health Care Revenue Bonds	17.46%
Housing Revenue Bonds	8.73%
Lease Revenue Bonds	9.53%
Local General Obligation Bonds	20.05%
Pre-Refunded Bonds	32.93%
Special Tax Revenue Bonds	5.74%
State General Obligation Bonds	5.92%
Transportation Revenue Bonds	7.70%
Short-Term Investment	**0.29%**
Total Value of Securities	**160.34%**
Liabilities Net of Receivables and Other Assets	**(2.17%)**
Liquidation Value of Preferred Stock	**(58.17%)**
Total Net Assets	**100.00%**

Credit Quality Breakdown (as a % of fixed income investments)	
AAA	53.94%
AA	14.09%

A	17.94%
BBB	10.02%
BB	2.10%
B	0.36%
Non Rated	1.55%
Total	**100.00%**

Delaware Investments
National Municipal Income Fund

Sector	Percentage of Net Assets
Municipal Bonds	**155.34%**
Corporate-Backed Revenue Bonds	3.07%
Education Revenue Bond	3.87%
Electric Revenue Bond	3.07%
Health Care Revenue Bonds	21.87%
Housing Revenue Bonds	16.12%
Lease Revenue Bonds	17.80%
Local General Obligation Bonds	6.65%
Pre-Refunded Bonds	11.74%
Special Tax Revenue Bonds	27.00%
State General Obligation Bond	4.15%
Transportation Revenue Bonds	19.74%
Water & Sewer Revenue Bonds	20.26%
Short-Term Investments	**5.56%**
Total Value of Securities	**160.90%**
Receivables and Other Assets Net of Liabilities	**0.89%**
Liquidation Value of Preferred Stock	**(61.79%)**
Total Net Assets	**100.00%**

State

(as a % of fixed income investments)

Colorado	2.01%
Florida	82.54%
Iowa	0.96%
New York	4.96%
Pennsylvania	1.77%
Puerto Rico	3.66%
Texas	3.16%
Virginia	0.94%
Total	**100.00%**

Credit Quality Breakdown

(as a % of fixed income investments)

AAA	77.76%
AA	12.29%
A	9.06%
BBB	0.89%
Total	**100.00%**

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Statements of net assets

Delaware Investments Arizona Municipal Income Fund, Inc.

March 31, 2008

Principal

	Amount	Value
Municipal Bonds 157.49%		
Education Revenue Bonds 16.52%		
Arizona Board of Regents System Revenue (Arizona State University) Series 8-A		
5.00% 6/1/18	$ 200,000	$ 217,310
5.00% 6/1/19	375,000	403,196
Arizona State University Certificates of Participation (Research Infrastructure Project) 5.00% 9/1/30 (AMBAC)	1,000,000	990,640
Arizona Student Loan Acquisition Authority Revenue Refunding Series A-1 5.90% 5/1/24 (AMT)	1,500,000	1,555,845
Glendale Industrial Development Authority Revenue Refunding (Midwestern University) 5.00% 5/15/31	350,000	329,413
Northern Arizona University Certificates of Participation (Northern Arizona University Research Project) 5.00% 9/1/30 (AMBAC)	1,000,000	997,280
Pima County Industrial Development Authority Revenue Refunding (Tucson Country Day School Project) 5.00% 6/1/37	500,000	401,060
South Campus Group Student Housing Revenue (Arizona State University South Campus Project) 5.625% 9/1/35 (MBIA)	1,000,000	1,016,730
University of Puerto Rico Revenue Series Q 5.00% 6/1/36	1,000,000	910,140
		6,821,614
Electric Revenue Bonds 8.67%		
Salt River Project Agricultural Improvement & Power District Electric System Revenue (Salt River Project)		
Series A 5.00% 1/1/16	500,000	550,500
5.00% 1/1/31	1,765,000	1,762,476
Series B 5.00% 1/1/25	1,250,000	1,266,775
		3,579,751
Escrowed to Maturity Bond 6.28%		
Puerto Rico Commonwealth Infrastructure Financing Authority Series A 5.50% 10/1/40	2,500,000	2,594,675
		2,594,675
Health Care Revenue Bonds 17.06%		
Glendale Industrial Development Authority Hospital Refunding Revenue (John C. Lincoln Health) 5.00% 12/1/42	1,500,000	1,280,355

Maricopa County Industrial Development Authority Revenue (Catholic Healthcare West) Series A		
5.25% 7/1/32	400,000	386,920
5.50% 7/1/26	430,000	435,513
Show Low Industrial Development Authority Hospital Revenue (Navapache Regional Medical Center) Series A		
5.50% 12/1/17 (ACA)	1,600,000	1,606,304
University Medical Center Hospital Revenue		
5.00% 7/1/33	1,000,000	883,700
5.00% 7/1/35	500,000	438,710
Yavapai County Industrial Development Authority Revenue (Yavapai Regional Medical Center)		
Series A 5.25% 8/1/21 (RADIAN)	2,000,000	2,013,700
		7,045,202
Housing Revenue Bonds 2.14%		
Phoenix Industrial Development Authority Single Family Statewide Revenue		
Series A 5.35% 6/1/20 (GNMA) (FNMA) (FHLMC) (AMT)	450,000	451,328
Series C 5.30% 4/1/20 (GNMA) (FNMA) (FHLMC) (AMT)	370,000	375,583
Pima County Industrial Development Authority Single Family Mortgage Revenue Series A-1		
6.125% 11/1/33 (GNMA) (FNMA) (FHLMC) (AMT)	55,000	55,793
		882,704
Lease Revenue Bonds 6.45%		
Arizona Game & Fishing Department & Commission Beneficial Interest Certificates (AGF Administration Building Project) 5.00% 7/1/26	640,000	618,394
Coconino County Unified School District #8 (Page Impact Aid Revenue Project of 2004)		
Series A 5.00% 7/1/15 (MBIA)	1,000,000	1,074,200
Nogales Development Authority Municipal Facilities Revenue		
5.00% 6/1/30 (AMBAC)	500,000	473,060
Prescott Valley Municipal Property		
5.00% 1/1/27 (FGIC)	500,000	498,755
		2,664,409
Local General Obligation Bonds 21.70%		
Coconino & Yavapai Counties Joint Unified School District #9 (Sedona Oak Creek Project 2007)		

Series A 4.25% 7/1/20 (FSA)	900,000	905,535
Flagstaff Aspen Place Sawmill		
Improvement District		
5.00% 1/1/32	385,000	375,564
ϕGila County Unified School District		
#10 Improvement (Payson Step		
Coupon Project of 2006)		
Series A 1.00% 7/1/27 (AMBAC)	500,000	469,965

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	Principal Amount	Value
Municipal Bonds (continued)		
Local General Obligation Bonds (continued)		
Marana Tangerine Farm Road		
Improvement District Revenue		
4.60% 1/1/26	$1,000,000	$ 893,530
Maricopa County School District		
#6 (Washington Elementary)		
Refunding Series A		
5.375% 7/1/13 (FSA)	3,000,000	3,343,560
(School Improvement Project of		
2001) Series B 5.00% 7/1/17 (FSA)	1,000,000	1,103,050
Maricopa County Unified School		
District #41 (Gilbert School)		
(School Improvement Projects		
2005 & 2007) 4.125% 7/1/20	1,000,000	982,950
Queen Creek Improvement District #1		
5.00% 1/1/32	1,000,000	888,040
		8,962,194
§Pre-Refunded Bonds 45.86%		
Arizona School Facilities Board		
Certificates of Participation		
Series B 5.25% 9/1/19-14 (FSA)	1,000,000	1,119,950
Arizona School Facilities Board Revenue		
(State School Improvement)		
Series 2001 5.00% 7/1/19-11	2,000,000	2,148,260
(State School Trust) Series A		
5.75% 7/1/18-14 (AMBAC)	500,000	573,355
Arizona Transportation Board		
Highway Revenue 5.75% 7/1/18-09	2,350,000	2,466,700
Arizona Water Infrastructure Finance		
Authority Revenue (Water Quality)		
Series A 5.05% 10/1/20-11	1,500,000	1,620,885
Oro Valley Municipal Property		
Excise Tax 5.00% 7/1/20-11 (FGIC)	1,000,000	1,083,320
Phoenix Civic Improvement Excise Tax		
(Senior Lien Municipal Courthouse		
Project) Series A 5.25% 7/1/24-09	1,000,000	1,053,290

Puerto Rico Commonwealth Public Improvement Revenue Series A 5.125% 7/1/31-11	250,000	269,500
Puerto Rico Highway & Transportation Authority Transportation		
Series D 5.00% 7/1/32-12 (FSA)	3,475,000	3,769,749
Series K 5.00% 7/1/40-15	500,000	555,235
Scottsdale Industrial Development Authority Hospital Revenue (Scottsdale Healthcare) 5.80% 12/1/31-11	1,000,000	1,115,990
Southern Arizona Capital Facilities Finance (University of Arizona Project) 5.00% 9/1/23-12 (MBIA)	1,150,000	1,251,005
University of Arizona Certificates of Participation (University of Arizona Project) Series B 5.125% 6/1/22-12 (AMBAC)	500,000	543,715
Virgin Islands Public Finance Authority Revenue (Gross Receipts Tax Loan Note) Series A 6.125% 10/1/29-10 (ACA)	1,250,000	1,366,913
		18,937,867
Special Tax Revenue Bonds 15.56%		
Arizona Tourism & Sports Authority (Multipurpose Stadium Facilities) Series A 5.00% 7/1/31 (MBIA)	1,000,000	989,080
Arizona Transportation Board Excise Tax Revenue (Maricopa County) 5.00% 7/1/19	750,000	803,873
Glendale Municipal Property Series A 5.00% 7/1/33 (AMBAC)	3,000,000	2,974,259
Peoria Municipal Development Authority Sales Tax & Excise Shared Revenue (Senior Lien) 5.00% 1/1/18	1,085,000	1,174,556
San Luis Civic Improvement Municipal Facilities Excise Tax Revenue 5.00% 7/1/38 (XLCA)	500,000	482,585
		6,424,353
Transportation Revenue Bonds 7.75%		
Arizona Transportation Broad Grant Anticipation Notes 5.00% 7/1/14	250,000	274,703
Phoenix Civic Improvement Corporation Airport Revenue Series B 5.25% 7/1/27 (FGIC) (AMT)	2,000,000	1,903,299
Puerto Rico Commonwealth Highway & Transportation Authority Un-Refunded Balance Series D 5.00% 7/1/32 (FSA)	1,025,000	1,022,069
		3,200,071
Water & Sewer Revenue Bonds 9.50%		

Phoenix Civic Improvement Wastewater		
Systems Revenue Junior Lien		
5.00% 7/1/19 (MBIA)	850,000	911,056
5.00% 7/1/24 (FGIC)	1,590,000	1,602,671
5.00% 7/1/26 (FGIC)	750,000	755,363
Scottsdale Water & Sewer Revenue		
Refunding 5.00% 7/1/19	600,000	653,892
		3,922,982
Total Municipal Bonds		
(cost $64,499,738)		**65,035,822**

Statements of net assets

Delaware Investments Arizona Municipal Income Fund, Inc.

Total Value of Securities — 157.49%	
(cost $64,499,738)	**$ 65,035,822**
Receivables and Other Assets	
Net of Liabilities — 3.05%	**1,258,151**
Liquidation Value of Preferred Stock — (60.54%)	**(25,000,000)**
Net Assets Applicable to 2,982,200	
Shares Outstanding — 100.00%	**$ 41,293,973**

Net Asset Value Per Common Share	
($41,293,973 / 2,982,200 Shares)	$13.85

Components of Net Assets at March 31, 2008:	
Common stock, $0.01 par value, 200 million shares	
authorized to the Fund	$ 40,780,234
Distributions in excess of net investment income	(15,481)
Accumulated net realized loss on investments	(6,864)
Net unrealized appreciation of investments	536,084
Total net assets	$ 41,293,973

ϕStep coupon bond. Coupon increases periodically based on a predetermined schedule. Stated rate in effect at March 31, 2008.

§Pre-Refunded bonds. Municipals that are generally backed or secured by U.S. Treasury bonds. For Pre-Refunded Bonds, the stated maturity is followed by the year in which the bond is pre-refunded. See Note 8 in “Notes to financial statements.”

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
XLCA — Insured by XL Capital Assurance

See accompanying notes

Delaware Investments Colorado Municipal Income Fund, Inc.

March 31, 2008

	Principal Amount	Value
Municipal Bonds 155.05%		
Education Revenue Bonds 28.66%		
Boulder County Development Revenue Refunding (University Corporation for Atmospheric Research) 5.00% 9/1/26 (MBIA)	$4,500,000	$ 4,515,210
Colorado Educational & Cultural Facilities Authority Revenue		
(Bromley Charter School Project) Refunding 5.25% 9/15/32 (XLCA)	1,000,000	1,005,490
(Johnson & Wales University Project) Series A 5.00% 4/1/28 (XLCA)	3,000,000	2,925,930
(Littleton Charter School Project) Refunding 4.375% 1/15/36 (CIFG)	1,200,000	1,049,676
(University of Northern Colorado) Series A 5.00% 7/1/31 (MBIA)	2,500,000	2,486,200
Colorado State Board of Governors (Colorado University) Series B 5.00% 3/1/35 (AMBAC)	1,800,000	1,776,330
University of Colorado Enterprise System Revenue Series A 5.00% 6/1/30 (AMBAC)	2,000,000	2,003,860
University of Northern Colorado Revenue Refunding 5.00% 6/1/35 (FSA)	4,000,000	4,002,120
		19,764,816
Electric Revenue Bond 1.40%		
Arkansas River Power Authority Revenue Improvement 5.25% 10/1/32 (XLCA)	1,000,000	963,970
		963,970
Health Care Revenue Bonds 5.36%		
Colorado Health Facilities Authority Revenue		
(North Colorado Medical Center) Refunding 5.95% 5/15/12 (MBIA)	1,070,000	1,121,339
(Porter Place) Series A 6.00% 1/20/36 (GNMA)	2,515,000	2,575,385
		3,696,724
Lease Revenue Bonds 8.16%		
Denver Convention Center Hotel Authority Revenue Refunding 5.00% 12/1/35 (XLCA)	2,000,000	1,788,260

Glendale Certificates of Participation		
5.00% 12/1/25 (XLCA)	1,500,000	1,500,945
Puerto Rico Public Buildings Authority		
Revenue (Guaranteed Government		
Facilities) Series M-2		
5.50% 7/1/35 (AMBAC)	700,000	730,086
Westminster Building Authority		
Certificates of Participation		
5.25% 12/1/22 (MBIA)	1,555,000	1,611,462
		5,630,753
Local General Obligation Bonds 22.77%		
Adams & Arapahoe Counties Joint		
School District #28J (Aurora)		
5.25% 12/1/25 (MBIA)	2,000,000	2,073,100
Adams County School District #14		
5.125% 12/1/31 (FSA)	500,000	505,720
Arapahoe County Water &		
Wastewater Public Improvement		
District Refunding Series A		
5.125% 12/1/32 (MBIA)	1,000,000	999,230
Bowles Metropolitan District		
Refunding 5.00% 12/1/33 (FSA)	2,000,000	1,982,720
Centennial Downs Metropolitan		
District Refunding		
5.00% 12/1/28 (AMBAC)	1,000,000	1,004,430
Denver City & County Justice System		
5.25% 8/1/17	4,000,000	4,495,760
Douglas County School District		
#Re-1 (Douglas & Elbert Counties)		
5.00% 12/15/21 (MBIA)	1,000,000	1,027,780
Garfield County School District #Re-2		
5.00% 12/1/25 (FSA)	1,000,000	1,026,820
Green Valley Ranch Metropolitan		
District Refunding		
5.75% 12/1/19 (AMBAC)	1,000,000	1,033,190
Sand Creek Metropolitan District		
Refunding & Improvement		
5.00% 12/1/31 (XLCA)	500,000	465,845
Weld County School District #Re-4		
5.00% 12/1/18 (FSA)	1,000,000	1,091,450
		15,706,045
§Pre-Refunded Bonds 60.15%		
Auraria Higher Education Center		
Parking Facilities System		
5.50% 4/1/26-10 (AMBAC)	2,485,000	2,639,816
Aurora Certificates of Participation		
5.50% 12/1/30-10 (AMBAC)	2,000,000	2,155,280
Burlingame Multifamily Housing		
Revenue Series A		
6.00% 11/1/29-09 (MBIA)	2,290,000	2,453,712
Colorado Educational & Cultural		

Facilities Authority		
(University of Colorado		
Foundation Project)		
5.00% 7/1/27-12 (AMBAC)	4,000,000	4,335,920
(University of Denver Project)		
Refunding & Improvement		
5.50% 3/1/21-11 (AMBAC)	3,200,000	3,462,624
Series B 5.25% 3/1/35-16 (FGIC)	1,500,000	1,684,725
Colorado Water Resources & Power		
Development Authority Revenue		
Series A 5.80% 11/1/20-10 (FGIC)	1,220,000	1,322,663
Denver City & County Excise		
Tax Revenue (Colorado		
Convention Center Project)		
5.00% 9/1/20-11 (FSA)	3,500,000	3,738,350
Denver Convention Center Hotel		
Authority Series A		
5.00% 12/1/33-13 (XLCA)	3,000,000	3,269,100

(continues)

Statements of net assets

Delaware Investments Colorado Municipal Income Fund, Inc.

	Principal Amount	Value
Municipal Bonds (continued)		
§Pre-Refunded Bonds (continued)		
E-470 Public Highway Authority Series A		
5.75% 9/1/29-10 (MBIA)	$3,000,000	$ 3,281,310
5.75% 9/1/35-10 (MBIA)	1,700,000	1,859,409
Eagle County Certificates of Participation		
5.40% 12/1/18-09 (MBIA)	1,000,000	1,064,270
Garfield Pitkin & Eagle County		
School District #Re-1 (Roaring		
Fork County) Series A		
5.00% 12/15/27-14 (FSA)	1,500,000	1,657,515
Northwest Parkway Public		
Highway Authority Series A		
5.25% 6/15/41-11 (FSA)	4,150,000	4,505,820
Pueblo County (Library District Project)		
5.80% 11/1/19-09 (AMBAC)	1,395,000	1,477,570
Puerto Rico Electric Power Authority		
Series RR 5.00% 7/1/35-15 (FGIC)	1,000,000	1,110,470
Puerto Rico Highway & Transportation		
Authority Series K		
5.00% 7/1/40-15	500,000	555,235
Weld & Adams Counties School District		

#Re-3J 5.00% 12/15/24-14 (FSA)	830,000	917,158
		41,490,947
Special Tax Revenue Bonds 11.38%		
Broomfield Sales & Use Tax Revenue		
Refunding & Improvement Series A		
5.00% 12/1/31 (AMBAC)	650,000	641,960
Golden Sales & Use Tax Revenue		
Improvement Series B		
5.10% 12/1/20 (AMBAC)	1,000,000	1,026,130
Gypsum Sales Tax & General		
Funding Revenue		
5.25% 6/1/30 (Assured Gty)	1,000,000	1,079,750
Regional Transportation		
District Sales Tax Revenue		
(Fastracks Project) Series A		
4.375% 11/1/31 (AMBAC)	1,250,000	1,124,863
4.50% 11/1/36 (FSA)	3,000,000	2,739,000
Westminster Special Purpose Sales		
& Use Tax Revenue Post Project		
Series D 5.00%12/1/22 (FSA)	1,180,000	1,234,244
		7,845,947
State General Obligation Bond 3.50%		
Puerto Rico Commonwealth		
Refunding (Public Improvement)		
Series A 5.50% 7/1/19 (MBIA)	2,250,000	2,416,905
		2,416,905
Transportation Revenue Bond 1.43%		
Denver City & County Airport		
Revenue Series A		
5.00% 11/15/25 (FGIC)	1,000,000	983,840
		983,840
Water & Sewer Revenue Bonds 12.24%		
Aurora Water Improvement		
Revenue First Lien Series A		
5.00% 8/1/32 (AMBAC)	750,000	751,613
Colorado Water Resources & Power		
Development Authority Revenue		
Un-Refunded Balance Series A		
5.80% 11/1/20 (FGIC)	780,000	813,774
Colorado Water Resources & Power		
Development Authority Water		
Resources Revenue (Parker Water		
& Sanitation District) Series D		
5.125% 9/1/34 (MBIA)	1,500,000	1,501,155
5.25% 9/1/43 (MBIA)	2,000,000	2,008,660
Lafayette Water Revenue		
5.00% 12/1/27 (MBIA)	1,100,000	1,105,313
Ute Water Conservancy District		
Revenue 5.75% 6/15/20 (MBIA)	2,155,000	2,263,504
		8,444,019
Total Municipal Bonds		

(cost $105,000,280)		**106,943,966**
•Short-Term Investment 1.36%		
Variable Rate Demand Note 1.36%		
Colorado Health Facilities Authority		
Revenue (Sisters Charity Health		
Systems) Series B 2.10% 12/1/38	940,000	940,000
Total Short-Term Investment		
(cost $940,000)		**940,000**
Total Value of Securities 156.41%		
(cost $105,940,280)		**107,883,966**
Receivables and Other Assets		
Net of Liabilities 1.58%		**1,089,134**
Liquidation Value of Preferred Stock (57.99%)		**(40,000,000)**
Net Assets Applicable to 4,837,100		
Shares Outstanding 100.00%		**$ 68,973,100**
Net Asset Value Per Common Share		
($68,973,100 / 4,837,100 Shares)		$14.26

Components of Net Assets at March 31, 2008	
Common stock, $0.01 par value, 200 million shares	
authorized to the Fund	$67,238,110
Undistributed net investment income	37,773
Accumulated net realized loss on investments	(246,469)
Net unrealized appreciation of investments	1,943,686
Total net assets	$68,973,100

§Pre-Refunded Bonds. Municipals that are generally backed or secured by U.S. Treasury bonds. For Pre-Refunded Bonds, the stated maturity is followed by the year in which the bond is pre-refunded. See Note 8 in Notes to financial statements.

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

Summary of Abbreviations:
AMBAC Insured by the AMBAC Assurance Corporation
Assured Gty Insured by the Assured Guaranty Corporation
CIFG CDC IXIS Financial Guaranty
FGIC Insured by the Financial Guaranty Insurance Company
FSA Insured by Financial Security Assurance
GNMA Insured by Government National Mortgage Association
MBIA Insured by the Municipal Bond Insurance Association
XLCA Insured by XL Capital Assurance

See accompanying notes

(continues)

Statements of net assets

Delaware Investments Minnesota Municipal Income Fund II, Inc.

March 31, 2008

	Principal Amount	Value
Municipal Bonds 160.05%		
Corporate-Backed Revenue Bonds 6.36%		
Anoka County Solid Waste Disposal (National Rural Utility) Series A 6.95% 12/1/08 (AMT)	$ 155,000	$ 155,634
Cloquet Pollution Control Revenue Refunding (Potlatch Project) 5.90% 10/1/26	5,500,000	5,273,785
Laurentian Energy Authority I Cogeneration Revenue Series A 5.00% 12/1/21	3,325,000	3,183,422
Minneapolis Community Development Agency Supported (Limited Tax Common Bond Fund) Series A 6.75% 12/1/25 (AMT)	865,000	903,224
Sartell Environmental Improvement Revenue Refunding (International Paper) Series A 5.20% 6/1/27	1,000,000	868,760
		10,384,825
Education Revenue Bonds 6.67%		
Duluth Independent School District #709 Revenue Certificates of Participation Series A 4.25% 2/1/20 (FSA)	2,000,000	2,010,940
Minnesota State Higher Education Facilities Authority Revenue (Augsburg College) Series 6-J1 5.00% 5/1/28	1,500,000	1,398,555
(College of St. Benedict) Series 5-W 5.00% 3/1/20	2,000,000	1,976,060
5.25% 3/1/24	300,000	293,499
(St. Catherine College) Series 5-N1 5.375% 10/1/32	1,500,000	1,422,795
(St. Mary's University) Series 5-U 4.80% 10/1/23	1,400,000	1,319,290
(St. Thomas University) Series 5-Y 5.00% 10/1/24	1,000,000	997,770
St. Cloud Housing & Redevelopment Authority Revenue (State		

University Foundation Project)		
5.00% 5/1/23	1,000,000	1,017,680
University of the Virgin Islands		
Series A 5.375% 6/1/34	500,000	462,365
		10,898,954
Electric Revenue Bonds 21.46%		
Chaska Electric Revenue Refunding		
(Generating Facilities) Series A		
5.25% 10/1/25	250,000	250,768
Minnesota State Municipal Power		
Agency Electric Revenue Series A		
5.00% 10/1/34	6,500,000	6,250,920
5.25% 10/1/19	1,610,000	1,672,806
Southern Minnesota Municipal Power		
Agency Supply		
System Revenue		
&[1]5.25% 1/1/14 (AMBAC)	14,000,000	15,227,310
&[2]5.25% 1/1/15 (AMBAC)	3,000,000	3,279,075
Series A 5.25% 1/1/16 (AMBAC)	1,500,000	1,641,570
Western Minnesota Municipal Power		
Agency Supply Revenue Series A		
5.00% 1/1/30 (MBIA)	6,790,000	6,727,260
		35,049,709
Escrowed to Maturity Bonds 17.50%		
Dakota Washington Counties Housing		
& Redevelopment Authority		
Revenue (Bloomington Single		
Family Residential Mortgage)		
8.375% 9/1/21 (GNMA) (FHA)		
(VA) (AMT)	8,055,000	11,307,448
Southern Minnesota Municipal Power		
Agency Supply System Revenue		
Series B		
5.75% 1/1/11 (FGIC)	770,000	802,694
Refunding 5.50% 1/1/15 (AMBAC)	390,000	414,917
St. Paul Housing & Redevelopment		
Authority Sales Tax (Civic		
Center Project)		
5.55% 11/1/23	2,300,000	2,421,831
5.55% 11/1/23 (MBIA)	4,200,000	4,422,474
University of Minnesota Hospital &		
Clinics 6.75% 12/1/16	2,580,000	3,049,302
University of Minnesota Series A		
5.50% 7/1/21	4,000,000	4,391,480
Western Minnesota Municipal Power		
Agency Supply Revenue Series A		
6.625% 1/1/16	1,535,000	1,761,766
		28,571,912
Health Care Revenue Bonds 17.46%		
Bemidji Health Care Facilities First		
Mortgage Revenue		

(North Country Health Services)		
5.00% 9/1/24 (RADIAN)	1,500,000	1,485,030
Glencoe Health Care Facilities		
Revenue (Glencoe Regional Health		
Services Project) 5.00% 4/1/25	2,000,000	1,844,760
Maple Grove Health Care		
Facilities Revenue		
(Maple Grove Hospital)		
5.25% 5/1/37	2,000,000	1,878,180
(North Memorial Health Care)		
5.00% 9/1/29	1,515,000	1,439,477

	Principal Amount	Value
Municipal Bonds (continued)		
Health Care Revenue Bonds (continued)		
Minneapolis Health Care System		
Revenue (Fairview Health Services)		
Series D		
5.00% 11/15/30 (AMBAC)	$1,500,000	$ 1,481,895
5.00% 11/15/34 (AMBAC)	3,250,000	3,188,835
Minnesota Agricultural & Economic		
Development Board Revenue Un-		
Refunded Balance (Fairview Health		
Care System) Series A		
5.75% 11/15/26 (MBIA)	100,000	102,121
6.375% 11/15/29	195,000	202,069
North Oaks Senior Housing		
Revenue (Presbyterian Homes)		
6.25% 10/1/47	1,500,000	1,471,140
Northfield Hospital Revenue		
5.375% 11/1/31	750,000	687,675
Rochester Health Care Facilities		
Revenue (Mayo Foundation)		
Series B 5.50% 11/15/27	4,365,000	4,416,770
Shakopee Health Care Facilities		
Revenue (St. Francis Regional		
Medical Center) 5.25% 9/1/34	1,560,000	1,442,672
St. Paul Housing & Redevelopment		
Authority Health Care		
Facilities Revenue		
(Allina Health System) Series A		
5.00% 11/15/18 (MBIA)	2,380,000	2,511,566
(HealthPartners Obligation Group		
Project) 5.25% 5/15/36	2,000,000	1,770,160
(Regions Hospital Project)		
5.30% 5/15/28	1,000,000	932,470
St. Paul Housing & Redevelopment		
Authority Revenue (Franciscan		
Health Project-Elderly)		

5.40% 11/20/42 (GNMA) (FHA)	2,700,000	2,695,599
Winona Health Care Facilities Revenue Refunding (Winona Health Obligation Group) 5.00% 7/1/23	1,010,000	969,307
		28,519,726
Housing Revenue Bonds 8.73%		
Chanhassen Multifamily Housing Revenue Refunding (Heritage Park Apartments Project) 6.20% 7/1/30 (FHA) (AMT) (HUD Section 8)	1,105,000	1,109,685
Dakota County Housing & Redevelopment Authority Single Family Mortgage Revenue 5.85% 10/1/30 (GNMA) (FNMA) (AMT)	11,000	11,006
Harmony Multifamily Housing Revenue (Zedakah Foundation Project) Series A 5.95% 9/1/20 (HUD Section 8)	1,000,000	921,160
Minneapolis Multifamily Housing Revenue		
•(Gaar Scott Loft Project) 5.95% 5/1/30 (AMT) (LOC U.S Bank N.A)	940,000	961,526
(Olson Townhomes Project) 6.00% 12/1/19 (AMT)	845,000	845,507
(Seward Towers Project) 5.00% 5/20/36 (GNMA)	2,000,000	1,898,640
(Sumner Housing Project) Series A 5.15% 2/20/45 (GNMA) (AMT)	3,575,000	3,205,381
Minnesota State Housing Finance Agency Revenue		
(Rental Housing)		
Series A 5.00% 2/1/35 (AMT)	1,000,000	910,680
Series D 5.95% 2/1/18 (MBIA)	130,000	130,355
(Residential Housing)		
Series B-1 5.35% 1/1/33 (AMT)	1,770,000	1,690,456
Series I 5.15% 7/1/38 (AMT)	1,000,000	921,040
(Single Family Mortgage) Series J 5.90% 7/1/28 (AMT)	965,000	967,567
Washington County Housing & Redevelopment Authority Revenue Refunding (Woodland Park Apartments Project) 4.70% 10/1/32	750,000	686,168
		14,259,171
Lease Revenue Bonds 9.53%		
Puerto Rico Public Buildings Authority Revenue Un-Refunded Balance (Guaranteed Government Facilities Bonds) Series D 5.25% 7/1/27	530,000	513,729
St. Paul Port Authority Lease Revenue		

(Cedar Street Office		
Building Project)		
5.00% 12/1/22	2,385,000	2,470,788
5.25% 12/1/27	4,800,000	4,868,976
Series 3-12 5.125% 12/1/27	1,000,000	1,010,950
(Robert Street Office		
Building Project)		
Series 3-11 5.00% 12/1/27	3,045,000	3,076,211
Series 9 5.25% 12/1/27	2,000,000	2,035,420
Virginia Housing & Redevelopment		
Authority Health Care Facility		
Lease Revenue		
5.25% 10/1/25	680,000	663,286
5.375% 10/1/30	965,000	923,158
		15,562,518

(continues)

Statements of net assets

Delaware Investments Minnesota Municipal Income Fund II, Inc.

	Principal Amount	Value
Municipal Bonds (continued)		
Local General Obligation Bonds 20.05%		
Dakota County Community		
Development Agency		
Governmental Housing Refunding		
(Senior Housing Facilities) Series A		
5.00% 1/1/23	$1,100,000	$ 1,128,413
Farmington Independent School		
District #192		
Series A 5.00% 2/1/23 (FSA)	2,280,000	2,337,593
Series B 5.00% 2/1/27 (FSA)	1,500,000	1,523,310
Hennepin County Regional Railroad Authority 5.00% 12/1/26	3,500,000	3,516,239
Hennepin County Series B 5.00% 12/1/18	2,300,000	2,378,407
Lakeville Independent School		
District #194 Series A		
4.75% 2/1/22 (FSA)	2,000,000	2,032,680
Metropolitan Council Minneapolis/		
St. Paul Metropolitan Area Waste		
Water Treatment Series B		
4.375% 12/1/27	1,500,000	1,408,440
5.00% 12/1/21	2,000,000	2,102,640
Minneapolis Refunding (Sports Arena Project) 5.125% 10/1/20	750,000	750,983
Minneapolis Special School District #001 5.00% 2/1/19 (FSA)	1,175,000	1,229,003
Moorhead Economic Development		
Authority Tax Increment Series A		

5.25% 2/1/25 (MBIA)	1,000,000	1,030,110
Moorhead Improvement Series B 5.00% 2/1/33 (MBIA)	3,250,000	3,253,022
Mounds View Independent School District #621 Series A 5.00% 2/1/23 (FSA)	2,020,000	2,071,510
Princeton Independent School District Refunding #477 Series A 5.00% 2/1/24 (FSA)	1,000,000	1,026,110
Robbinsdale Independent School District #281 5.00% 2/1/21 (FSA)	500,000	516,215
Washington County Housing & Redevelopment Authority Refunding Series B 5.50% 2/1/22 (MBIA)	1,705,000	1,754,019
5.50% 2/1/32 (MBIA)	2,140,000	2,166,322
Willmar (Rice Memorial Hospital Project) 5.00% 2/1/32 (FSA)	2,500,000	2,512,600
		32,737,616
§Pre-Refunded Bonds 32.93%		
Andover Economic Development Authority Public Facilities Lease Revenue (Andover Community Center) 5.125% 2/1/24-14	500,000	537,405
5.20% 2/1/29-14	1,000,000	1,078,710
Centennial Independent School District #012 Series A 5.00% 2/1/20-12 (FSA)	800,000	854,504
Chaska Electric Revenue Series A 6.00% 10/1/25-10	1,000,000	1,082,920
Duluth Economic Development Authority Health Care Facilities Revenue (Benedictine Health System-St. Mary's Hospital) 5.25% 2/15/33-14	5,000,000	5,553,050
Elk River Independent School District #728 Series A 5.00% 2/1/16-14 (FGIC)	1,500,000	1,625,415
Metropolitan Council Minneapolis/ St. Paul Metropolitan Area Waste Water Treatment Series C 5.00% 2/1/22-11	1,000,000	1,059,660
Minneapolis Community &nb		