

COLONIAL CALIFORNIA INSURED MUNICIPAL FUND  
Form N-CSRS  
August 07, 2006

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 811-9537

Colonial California Insured Municipal Fund

-----  
(Exact name of registrant as specified in charter)

One Financial Center, Boston, Massachusetts 02111

-----  
(Address of principal executive offices) (Zip code)

James R. Bordewick, Jr., Esq.  
Columbia Management Advisors, LLC  
One Financial Center  
Boston, MA 02111

-----  
(Name and address of agent for service)

Registrant's telephone number, including area code: 1-617-426-3750

Date of fiscal year end: November 30, 2006

Date of reporting period: May 31, 2006

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. Section 3507.

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Item 1. Reports to Stockholders

[PHOTO]

COLONIAL CALIFORNIA  
INSURED MUNICIPAL FUND

Semiannual Report  
May 31, 2006

[LOGO] Not FDIC Insured May Lose Value  
No Bank Guarantee

[GRAPHIC]

Dear Shareholder:

The US stock and bond markets delivered positive, but modest, returns during the six month period ended May 31, 2006. After a weak fourth quarter, economic growth turned sharply higher in 2006 and job growth was steady, although somewhat slower at the end of the period. Confident consumers continued to pump dollars into US retail markets, despite higher energy prices, which boosted inflation. The housing market continued to cool as mortgage rates moved higher, but housing-market indicators--such as housing starts, sales of existing homes, and house prices--remained strong by historical measures.

In this environment, the US fixed income markets faced the challenge of rising interest rates, especially within the short-and intermediate-maturity ranges and was generally flat for the period. The Federal Reserve Board, in an effort to balance economic growth and the forces of inflation, raised short-term interest rates by one full percentage point during the reporting period. The yield on the 10-year US Treasury note, a bellwether for the bond market, moved up from 4.5% to 5.1%. Lower quality bonds did better than higher quality bonds. In fact, high-yield bonds did better than either stocks or investment-grade bonds. A strong economy favored corporate high-yield bonds, as default rates remained low and corporate profits surprised investors with better-than-expected results. However, that trend showed signs of shifting near the end of the six-month period. The municipal sector generated respectable

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gains as economic growth helped buoy revenues and stabilize budgets in many states and municipalities. Within the municipal market, high-yield also outperformed high-grade bonds for the period.

In the pages that follow, your fund's manager discusses key factors that influenced performance during this six-month reporting period. We urge you to read this report carefully and to discuss any questions you might have with your financial advisor.

As always, we thank you for choosing Colonial Funds. We look forward to continuing to help you build toward your financial goals.

Sincerely,

/s/ Christopher L. Wilson  
Christopher L. Wilson  
President, Columbia Funds

Past performance is no guarantee of future results.

Investments in high-yield or "junk" bonds offer the potential for higher income than investments in investment-grade bonds, but also have a higher degree of risk. Changes in economic conditions or other circumstances may adversely affect a high-yield bond issuer's ability to make timely principal and interest payments.

The views expressed in the President's Letter and Portfolio Managers' Report reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Colonial Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any particular Colonial Fund. References for specific company securities should not be construed as a recommendation or investment advice.

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### PORTFOLIO MANAGER'S REPORT

#### Summary

.. For the six-month period ended May 31, 2006, Colonial California Insured Municipal Fund had a return of -0.95%, based on its market price. Changes in the market price of the fund's shares reflect investor demand and are not necessarily directly linked to changes in the fund's net asset value. For the same period, the fund returned 1.62% based on investment at net asset value, which was less than the 2.07% average return of its peer group, the Lipper California Insured Municipal Debt Funds (Leveraged) Category/1/. Lipper Inc., a widely respected data provider in the industry, calculates an

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average total return (assuming reinvestment of distributions) for mutual funds with investment objectives similar to those of the fund. Lipper makes no adjustment for the effect of sales loads. The fund's dividend income declined as higher short-term interest rates raised the payout rate to preferred shareholders. However, leveraged positions continued to provide the fund with an income advantage over its non-leveraged peers.

- .. Bonds with longer maturity dates continued to outperform shorter- and intermediate-maturity bonds as the Federal Reserve Board continued to oversee a rise in short-term rates during the period. As a result, the fund's concentration in bonds that mature in 10 to 15 years detracted from performance. The fund continued to diversify into intermediate- and longer-term bonds, with an emphasis on bonds without call provisions. However, the supply of these bonds in the California market plus an overall decline in municipal bond issuance hampered our efforts. The fund continued to benefit from light exposure to bonds in the one- to five-year maturity range.
- .. While California has rebounded from its earlier downturn, some drivers of recent growth have come under pressure from rising interest rates. At the same time, higher expenditures have offset growing tax revenues. This situation has left California without budgetary reserves and continues to affect the state's debt rating. However, our outlook for the state remains stable. We currently plan to continue selling shorter-maturity bond holdings, using the proceeds to invest in bonds maturing in 20 years or longer, preferably without call provisions.

### Portfolio Management

Kimberly Campbell has been the portfolio manager of Colonial California Insured Municipal Fund since October 2003.

Shares of closed-end funds frequently trade at a discount to net asset value. The price of the fund's shares is determined by a number of factors, several of which are beyond the control of the fund. Therefore, the fund cannot predict whether its shares will trade at, below or above net asset value.

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results.

Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yield and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa.

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/1/Lipper Inc., a widely respected data provider in the industry, calculates an average total return (assuming reinvestment of distributions) for mutual funds with investment objectives similar to those of the fund. Lipper makes no adjustment for the effect of sales loads.

Price per share as of 5/31/06 (\$)

|                 |       |
|-----------------|-------|
| Market price    | 13.70 |
| -----           |       |
| Net asset value | 14.64 |
| -----           |       |

6-month (cumulative) total return as of 5/31/06 (%)

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|   |       |
|---|-------|
| Market price                                      | -0.95 |
| -----   |       |
| Net asset value                                   | 1.62  |
| -----   |       |
| Lipper California Insured<br>Municipal Debt Funds |       |
| Category average                                  | 2.07  |
| -----   |       |

Performance is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when sold, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please call 800-730-6001 for the fund's most recent performance.

Total return based on net asset value reflects changes in the fund's net asset value during each period. Total return based on market value reflects changes to market value. These figures will differ depending on the level of any discount from or premium to during the period.

Distributions declared  
per common share  
12/01/05-5/31/06 (\$)

0.37

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A portion of the fund's income may be subject to the alternative minimum tax. The fund may at times purchase tax-exempt securities at a discount from their original issue price. Some or all of this discount may be included in the fund's ordinary income, and any market discount is taxable when distributed.

Top 5 sectors as of 5/31/06 (%)

|                           |      |
|---------------------------|------|
| Local general obligations | 18.8 |
| -----                     |      |
| Water & sewer             | 17.6 |
| -----                     |      |
| Refunded/Escrowed         | 11.3 |
| -----                     |      |
| Local appropriated        | 7.5  |
| -----                     |      |
| Special property tax      | 7.4  |
| -----                     |      |

Quality breakdown as of 5/31/06 (%)

|                  |      |
|------------------|------|
| AAA              | 89.0 |
| -----            |      |
| A                | 5.4  |
| -----            |      |
| BBB              | 2.8  |
| -----            |      |
| Cash equivalents | 1.7  |
| -----            |      |
| Non-rated        | 1.1  |

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Sector and quality breakdowns are calculated as a percentage of total investments and net assets, respectively. Ratings shown in the quality breakdown represent the rating assigned to a particular bond by one of the following nationally recognized rating agencies: Standard & Poor's, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. or Fitch Ratings, Ltd. Ratings are relative and subjective and are not absolute standards of quality. The fund's credit quality does not remove market risk. Because the fund is actively managed, there is no guarantee that the fund will continue to invest in these sectors or maintain these quality breakdowns in the future.

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[GRAPHIC]

Investing in high-yield or "junk" bonds offers the potential for higher income than investments in investment-grade bonds but they also have a higher degree of risk. Changes in economic conditions or other circumstances may adversely affect a high-yield bond issuer's ability to make timely principal and interest payments.

Tax-exempt investing offers current tax-exempt income, but it also involves special risks. The value of the fund will be affected by interest rate changes and the creditworthiness of issues held in the fund. Interest income from certain tax-exempt bonds may be subject to certain state and local taxes and, if applicable, the alternative minimum tax. Capital gains are not exempt from income taxes.

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[GRAPHIC]

PORTFOLIO MANAGER'S REPORT (continued)

[GRAPHIC]

INVESTMENT PORTFOLIO

May 31, 2006 (Unaudited)

| MUNICIPAL BONDS - 155.5% | PAR (\$) | VALUE (\$) |
|--------------------------|----------|------------|
|--------------------------|----------|------------|

-----

EDUCATION - 9.3%

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|                                       |                 |           |
|---------------------------------------|-----------------|-----------|
| EDUCATION - 9.3%                      |                 |           |
| CA Educational Facilities Authority:  |                 |           |
| Pepperdine University,                |                 |           |
| Series 2005 A,                        |                 |           |
| Insured: AMBAC                        |                 |           |
| 5.000% 12/01/35                       | 1,000,000       | 1,031,280 |
| Pooled College & University Projects, |                 |           |
| Series 2000 B,                        |                 |           |
| 6.625% 06/01/20                       | 250,000         | 269,297   |
| CA University Enterprises, Inc.,      |                 |           |
| Auxiliary Organization,               |                 |           |
| Series 2005 A,                        |                 |           |
| Insured: FGIC                         |                 |           |
| 4.375% 10/01/30                       | 1,000,000       | 936,050   |
| CA University Revenue,                |                 |           |
| Series 2005 C,                        |                 |           |
| Insured: MBIA                         |                 |           |
| 5.000% 11/01/29                       | 1,500,000       | 1,552,335 |
|                                       |                 | -----     |
|                                       | Education Total | 3,788,962 |
|                                       |                 | -----     |
|                                       | EDUCATION TOTAL | 3,788,962 |
|                                       |                 | -----     |

|                                       |                   |         |
|---------------------------------------|-------------------|---------|
| -----                                 |                   |         |
| HEALTH CARE - 2.3%                    |                   |         |
| HOSPITALS - 2.3%                      |                   |         |
| CA Statewide Communities              |                   |         |
| Development Authority Revenue,        |                   |         |
| Catholic Healthcare West,             |                   |         |
| Series 1999,                          |                   |         |
| 6.500% 07/01/20                       | 145,000           | 157,843 |
| Daughters of Charity Health,          |                   |         |
| Series 2005 A,                        |                   |         |
| 5.250% 07/01/30                       | 500,000           | 509,745 |
| CA Whittier Health Facility Revenue,  |                   |         |
| Presbyterian Intercommunity Hospital, |                   |         |
| Series 2002,                          |                   |         |
| 5.750% 06/01/31                       | 250,000           | 262,670 |
|                                       |                   | -----   |
|                                       | Hospitals Total   | 930,258 |
|                                       |                   | -----   |
|                                       | HEALTH CARE TOTAL | 930,258 |
|                                       |                   | -----   |

|                                    |                              |           |
|------------------------------------|------------------------------|-----------|
| -----                              |                              |           |
| HOUSING - 5.3%                     |                              |           |
| ASSISTED LIVING/SENIOR - 5.1%      |                              |           |
| CA ABAG Finance Authority for      |                              |           |
| Nonprofit Corps. Odd Fellows Home, |                              |           |
| Series 1999,                       |                              |           |
| Insured: MBIA                      |                              |           |
| 6.000% 08/15/24                    | 2,000,000                    | 2,071,060 |
|                                    |                              | -----     |
|                                    | Assisted Living/Senior Total | 2,071,060 |
|                                    |                              | -----     |

PAR (\$) VALUE (\$)

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SINGLE-FAMILY - 0.2%

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|                                       |           |           |
|---------------------------------------|-----------|-----------|
| CA Rural Home Mortgage Finance        |           |           |
| Authority:                            |           |           |
| Series 1998 A, AMT,                   |           |           |
| Guarantor: GNMA                       |           |           |
| 6.350% 12/01/29                       | 65,000    | 65,811    |
| Series 1998 B-5, AMT,                 |           |           |
| Guarantor: FNMA                       |           |           |
| 6.350% 12/01/29                       | 40,000    | 40,861    |
|                                       |           | -----     |
| Single-Family Total                   |           | 106,672   |
|                                       |           | -----     |
| HOUSING TOTAL                         |           | 2,177,732 |
|                                       |           | -----     |
| -----                                 |           |           |
| OTHER - 20.4%                         |           |           |
| REFUNDED/ESCROWED (A) - 17.9%         |           |           |
| CA Community College Financing        |           |           |
| Authority, West Valley Mission        |           |           |
| Community College,                    |           |           |
| Series 1997,                          |           |           |
| Pre-refunded 05/01/07,                |           |           |
| Insured: MBIA                         |           |           |
| 5.625% 05/01/22                       | 2,000,000 | 2,076,380 |
| CA Oakland Harrison Foundation,       |           |           |
| Series 1999 A,                        |           |           |
| Pre-refunded 01/01/10,                |           |           |
| Insured: AMBAC                        |           |           |
| 6.000% 01/01/29                       | 1,000,000 | 1,078,580 |
| CA Orange County Community Facilities |           |           |
| District, Ladera Ranch,               |           |           |
| Series 1999 A,                        |           |           |
| Pre-refunded 08/15/09                 |           |           |
| 6.700% 08/15/29                       | 200,000   | 221,722   |
| CA Pacifica,                          |           |           |
| Series 1999,                          |           |           |
| Pre-refunded 11/01/09,                |           |           |
| Insured: AMBAC                        |           |           |
| 5.875% 11/01/29                       | 1,500,000 | 1,623,165 |
| CA Public Works Board Department of   |           |           |
| Health Services,                      |           |           |
| Series 1999 A,                        |           |           |
| Pre-refunded 11/01/09,                |           |           |
| Insured: MBIA                         |           |           |
| 5.750% 11/01/24(b)                    | 1,500,000 | 1,613,535 |
| CA Statewide Communities              |           |           |
| Development Authority:                |           |           |
| Certificates of Participation,        |           |           |
| Catholic Healthcare West,             |           |           |
| Series 1999,                          |           |           |
| Pre-refunded 07/01/10                 |           |           |
| 6.500% 07/01/20                       | 355,000   | 394,966   |
| Eskaton Village - Grass Valley,       |           |           |
| Series 2000,                          |           |           |
| Pre-refunded 11/15/10,                |           |           |
| 8.250% 11/15/31(c)                    | 250,000   | 294,215   |
|                                       |           | -----     |
| Refunded/Escrowed Total               |           | 7,302,563 |
|                                       |           | -----     |

See Accompanying Notes to Financial Statements.



[GRAPHIC]

INVESTMENT PORTFOLIO (continued)

May 31, 2006 (Unaudited)

| MUNICIPAL BONDS (CONTINUED)              | PAR (\$)                 | VALUE (\$) |
|--|--------------------------|------------|
| -----                                    |                          |            |
| OTHER (CONTINUED)                        |                          |            |
| TOBACCO - 2.5%                           |                          |            |
| CA Golden State Tobacco, Securitization  |                          |            |
| Enhanced Asset Backed,                   |                          |            |
| Series 2005 A,                           |                          |            |
| Insured: FGIC                            |                          |            |
| 5.000% 06/01/35                          | 1,000,000                | 1,021,810  |
|  |                          | -----      |
|  | Tobacco Total            | 1,021,810  |
|  |                          | -----      |
|  | OTHER TOTAL              | 8,324,373  |
|  |                          | -----      |
| -----                                    |                          |            |
| RESOURCE RECOVERY - 1.3%                 |                          |            |
| DISPOSAL - 1.3%                          |                          |            |
| CA Salinas Valley Solid Waste Authority, |                          |            |
| Series 2002,                             |                          |            |
| Insured: AMBAC                           |                          |            |
| 5.125% 08/01/22                          | 500,000                  | 512,815    |
|  |                          | -----      |
|  | Disposal Total           | 512,815    |
|  |                          | -----      |
|  | RESOURCE RECOVERY TOTAL  | 512,815    |
|  |                          | -----      |
| -----                                    |                          |            |
| TAX-BACKED - 68.4%                       |                          |            |
| LOCAL APPROPRIATED - 11.8%               |                          |            |
| CA Los Angeles County Schools,           |                          |            |
| Series 1999 A,                           |                          |            |
| Insured: AMBAC:                          |                          |            |
| (d) 08/01/18                             | 2,020,000                | 1,137,522  |
| (d) 08/01/23                             | 2,220,000                | 955,111    |
| CA San Bernardino County, Medical        |                          |            |
| Center Financing Project,                |                          |            |
| Series 1994,                             |                          |            |
| Insured: MBIA                            |                          |            |
| 5.500% 08/01/17                          | 2,500,000                | 2,709,550  |
|  |                          | -----      |
|  | Local Appropriated Total | 4,802,183  |
|  |                          | -----      |
| -----                                    |                          |            |
| LOCAL GENERAL OBLIGATIONS - 29.7%        |                          |            |
| CA Culver City Unified School District   |                          |            |
| Financing Authority,                     |                          |            |

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|  |                    |                    |
|--|--------------------|--------------------|
| Series 2005,<br>Insured: FSA<br>5.500% 08/01/25  | 1,000,000          | 1,141,380          |
| CA Golden West Schools Financing<br>Authority Placentia Yorba Linda<br>Unified,<br>Series 2006,<br>Insured: AMBAC<br>5.500% 08/01/23 | 1,000,000          | 1,131,500          |
| CA Newhall School District, Series 2004,<br>Insured: FGIC<br>5.000% 05/01/20   | 500,000            | 536,895            |
| CA Pomona Unified School District,<br>Series 2000 A,<br>Insured: MBIA<br>6.550% 08/01/29   | 1,000,000          | 1,262,910          |
|  | PAR (\$)           | VALUE (\$)         |
| -----  |                    |                    |
| CA Rescue Unified School District,<br>Election 1998, Capital Appreciation,<br>Series 2005,<br>Insured: MBIA<br>(d) 09/01/26          | 1,125,000          | 414,011            |
| CA San Diego Unified School District,<br>Election of 1998,<br>Series 2000 B,<br>Insured: MBIA<br>6.000% 07/01/19                     | 1,000,000          | 1,170,910          |
| CA Santa Clara Community College<br>District, Election 2001,<br>Series 2005,<br>Insured: FSA<br>5.000% 08/01/28                      | 1,000,000          | 1,035,640          |
| CA Sonoma County Junior College<br>District, Series 2005 B,<br>Insured: FSA<br>5.000% 08/01/27                                       | 1,000,000          | 1,037,160          |
| CA Temecula Valley Unified School<br>District, Series 2004,<br>Insured: FSA<br>5.000% 08/01/20                                       | 500,000            | 537,365            |
| CA Union Elementary School District,<br>Series 1999 A,<br>Insured: FGIC<br>(d) 09/01/18  | 1,630,000          | 924,080            |
| CA Vallejo City Unified School District,<br>Series 2002 A,<br>Insured: MBIA:<br>5.900% 02/01/21<br>5.900% 08/01/25                   | 500,000<br>500,000 | 584,540<br>584,345 |
| CA West Contra Costa Unified School<br>District, Series 2001 A,<br>Insured: MBIA<br>5.700% 02/01/23                                  | 500,000            | 578,105            |
| CA West Covina Unified School District,<br>Series 2002 A,<br>Insured: MBIA<br>5.800% 02/01/21  | 500,000            | 579,150            |

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|   |           |            |
|---|-----------|------------|
| CA Yuba City Unified School District,<br>Series 2000,<br>Insured: FGIC<br>(d) 09/01/18              | 1,000,000 | 566,920    |
|   |           | -----      |
| Local General Obligations Total   |           | 12,084,911 |
|   |           | -----      |
| SPECIAL NON-PROPERTY TAX - 7.2%   |           |            |
| CA San Francisco City & County Hotel<br>Tax Agency, Series 1994,<br>Insured: FSA<br>6.750% 07/01/25 | 1,000,000 | 1,016,340  |

See Accompanying Notes to Financial Statements.

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[GRAPHIC]

INVESTMENT PORTFOLIO (continued)

May 31, 2006 (Unaudited)

| MUNICIPAL BONDS (CONTINUED)  | PAR (\$)  | VALUE (\$) |
|--|-----------|------------|
| -----  |           |            |
| TAX-BACKED (CONTINUED)   |           |            |
| SPECIAL NON-PROPERTY TAX (CONTINUED)   |           |            |
| PR Commonwealth of Puerto Rico   |           |            |
| Highway & Transportation Authority:<br>Series 1996 Y, AMT,<br>5.500% 07/01/36  | 500,000   | 528,515    |
| Series 1996 Y,<br>Insured: FSA<br>5.500% 07/01/36  | 1,000,000 | 1,098,170  |
| Series 2002 E,<br>Insured: FSA<br>5.500% 07/01/21  | 250,000   | 280,955    |
|  |           | -----      |
| Special Non-Property Tax Total   |           | 2,923,980  |
|  |           | -----      |
| SPECIAL PROPERTY TAX - 11.7%   |           |            |
| CA Fontana Public Finance Authority,<br>Tax Allocation Revenue, North<br>Fontana Redevelopment,<br>Series 2005 A,<br>Insured: AMBAC<br>5.000% 10/01/29 | 1,000,000 | 1,028,480  |
| CA Huntington Beach Community<br>Facilities District, Grand Coast Resort,<br>Series 2001-1,<br>6.450% 09/01/31   | 100,000   | 106,689    |
| CA Huntington Park Public Financing  |           |            |

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|  |                            |           |
|--|----------------------------|-----------|
| Authority Revenue,<br>Series 2004,<br>Insured: FSA<br>5.250% 09/01/19  | 1,000,000                  | 1,084,920 |
| CA Lancaster Financing Authority<br>Redevelopment Project No. 5 & 6,<br>Series 2003,<br>Insured: MBIA<br>5.250% 02/01/20 | 1,075,000                  | 1,168,041 |
| CA Long Beach Bond Finance Authority<br>Tax Allocation Revenue,<br>Series 2006 C,<br>Insured: AMBAC<br>5.500% 08/01/31   | 750,000                    | 852,405   |
| CA Oceanside Community Development<br>Commission, Downtown<br>Redevelopment Project,<br>Series 2003,<br>5.700% 09/01/25  | 500,000                    | 523,155   |
|  |                            | -----     |
|  | Special Property Tax Total | 4,763,690 |
|  |                            | -----     |
| STATE APPROPRIATED - 1.3%  |                            |           |
| CA Public Works Board, Department of<br>Mental Health, Coalinga State Hospital,<br>Series 2004 A,<br>5.500% 06/01/19     | 500,000                    | 542,015   |
|  |                            | -----     |
|  | State Appropriated Total   | 542,015   |
|  |                            | -----     |

PAR (\$) VALUE (\$)

|   |                                 |            |
|---|---------------------------------|------------|
| STATE GENERAL OBLIGATIONS - 6.7%                  |                                 |            |
| CA State:   |                                 |            |
| Series 2002,<br>Insured: AMBAC<br>6.000% 02/01/17 | 1,000,000                       | 1,157,050  |
| Series 2003,<br>5.250% 02/01/20                   | 500,000                         | 541,130    |
| Series 2004,<br>5.000% 02/01/22                   | 1,000,000                       | 1,032,060  |
|   |                                 | -----      |
|   | State General Obligations Total | 2,730,240  |
|   |                                 | -----      |
|   | TAX-BACKED TOTAL                | 27,847,019 |
|   |                                 | -----      |

TRANSPORTATION - 8.8%

AIRPORTS - 3.9%

|   |           |           |
|---|-----------|-----------|
| CA Port of Oakland,<br>Series 2002 K, AMT,<br>Insured: FGIC<br>5.750% 11/01/29                            | 1,000,000 | 1,053,190 |
| CA San Diego County Regional Airport<br>Authority, Series 2005, AMT,<br>Insured: AMBAC<br>5.250% 07/01/20 | 500,000   | 534,470   |

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|                                    |                      |           |
|------------------------------------|----------------------|-----------|
|                                    | Airports Total       | 1,587,660 |
| -----                              |                      |           |
| PORTS - 3.2%                       |                      |           |
| CA San Diego Unified Port District |                      |           |
| Revenue, Series 2004 B,            |                      |           |
| Insured: MBIA                      |                      |           |
| 5.000% 09/01/29                    | 1,250,000            | 1,282,187 |
| -----                              |                      |           |
|                                    | Ports Total          | 1,282,187 |
| -----                              |                      |           |
| TRANSPORTATION - 1.7%              |                      |           |
| CA San Francisco Bay Area Rapid    |                      |           |
| Transit Financing Authority,       |                      |           |
| Series 2005 A,                     |                      |           |
| Insured: MBIA                      |                      |           |
| 5.000% 07/01/30                    | 685,000              | 707,701   |
| -----                              |                      |           |
|                                    | Transportation Total | 707,701   |
| -----                              |                      |           |
|                                    | TRANSPORTATION TOTAL | 3,577,548 |
| -----                              |                      |           |
| -----                              |                      |           |
| UTILITIES - 39.7%                  |                      |           |
| INVESTOR OWNED - 7.9%              |                      |           |
| CA Pollution Control Financing     |                      |           |
| Authority:                         |                      |           |
| Pacific Gas & Electric Co.,        |                      |           |
| Series 1996 A, AMT,                |                      |           |
| Insured MBIA                       |                      |           |
| 5.350% 12/01/16                    | 1,000,000            | 1,054,880 |
| -----                              |                      |           |
| San Diego Gas & Electric Co.,      |                      |           |
| Series 1991 A, AMT,                |                      |           |
| 6.800% 06/01/15                    | 500,000              | 584,015   |
| -----                              |                      |           |

See Accompanying Notes to Financial Statements.

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[GRAPHIC]

INVESTMENT PORTFOLIO (continued)

May 31, 2006 (Unaudited)

|                             |          |            |
|-----------------------------|----------|------------|
| MUNICIPAL BONDS (CONTINUED) | PAR (\$) | VALUE (\$) |
| -----                       |          |            |

UTILITIES (CONTINUED)  
INVESTOR OWNED (CONTINUED)  
Southern California Edison Co.,  
Series 1999 B,  
Insured: MBIA

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|   |           |           |
|---|-----------|-----------|
| 5.450% 09/01/29   | 1,500,000 | 1,575,195 |
|   |           | -----     |
| Investor Owned Total  |           | 3,214,090 |
|   |           | -----     |
| MUNICIPAL ELECTRIC - 3.9%   |           |           |
| CA Department of Water Resources,<br>Power Supply Revenue Bonds,<br>Series 2002 A,<br>Insured: AMBAC          |           |           |
| 5.500% 05/01/14   | 500,000   | 546,615   |
| CA Los Angeles Department of Water &<br>Power Waterworks, Series 2004 C,<br>Insured: MBIA                     |           |           |
| 5.000% 07/01/22   | 1,000,000 | 1,042,480 |
|   |           | -----     |
| Municipal Electric Total  |           | 1,589,095 |
|   |           | -----     |
| WATER & SEWER - 27.9%   |           |           |
| CA Culver City, Series 1999 A,<br>Insured: FGIC   |           |           |
| 5.700% 09/01/29   | 1,500,000 | 1,608,990 |
| CA Department of Water Resources<br>Water Revenue, Central Valley Project,<br>Series 2005 AD,<br>Insured: FSA |           |           |
| 5.000% 12/01/25   | 1,000,000 | 1,040,420 |
| CA El Dorado Irrigation District,<br>Series 2004 A,<br>Insured: FGIC  |           |           |
| 5.000% 03/01/21   | 1,000,000 | 1,038,970 |
| CA Elsinore Valley Municipal Water<br>District, Series 2002,<br>Insured: FGIC                                 |           |           |
| 5.375% 07/01/18   | 1,160,000 | 1,278,819 |
| CA Los Angeles Department Water &<br>Power Waterworks Systems,<br>Sub-series 2006 A-2,<br>Insured: AMBAC      |           |           |
| 5.000% 07/01/27   | 1,000,000 | 1,040,130 |
| CA Metropolitan Water District of<br>Southern California,<br>Series 2005 A,<br>Insured: FSA                   |           |           |
| 5.000% 07/01/30   | 1,000,000 | 1,033,140 |
| CA Pico Rivera Water Authority<br>Revenue, Water System Project,<br>Series 1999 A,<br>Insured: MBIA           |           |           |
| 5.500% 05/01/29   | 2,000,000 | 2,246,820 |
| CA Pomona Public Financing Authority,<br>Series 1999 AC,<br>Insured: FGIC                                     |           |           |
| 5.500% 05/01/29   | 1,000,000 | 1,051,480 |

PAR (\$) VALUE (\$)

-----  
CA Westlands Water District Revenue,  
Certificates of Participation,  
Series 2005 A,

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|   |           |              |
|---|-----------|--------------|
| Insured: MBIA                             |           |              |
| 5.000% 09/01/30                           | 1,000,000 | 1,024,130    |
|   |           | -----        |
| Water & Sewer Total                       |           | 11,362,899   |
|   |           | -----        |
| UTILITIES TOTAL                           |           | 16,166,084   |
|   |           | -----        |
| TOTAL MUNICIPAL BONDS                     |           |              |
| (cost of \$60,392,090)                    |           | 63,324,791   |
|   |           | -----        |
| SHORT-TERM OBLIGATIONS - 2.7%             |           |              |
|   |           | -----        |
| VARIABLE RATE DEMAND NOTES (E) - 2.7%     |           |              |
| CA Adelanto Public Utility Authority,     |           |              |
| Series 2005 A,                            |           |              |
| Insured: AMBAC,                           |           |              |
| LOC: Dexia Credit Local                   |           |              |
| 3.540% 11/01/34                           | 100,000   | 100,000      |
| CA Department of Water Resources,         |           |              |
| Series 2002 B-6,                          |           |              |
| LOC: State Street Bank & Trust Co.        |           |              |
| 3.460% 05/01/22                           | 200,000   | 200,000      |
| CA Economic Recovery Series 2004 C-6,     |           |              |
| LOC: Citibank N.A.                        |           |              |
| 3.500% 07/01/23                           | 300,000   | 300,000      |
| CA Irvine Improvement Bond Act 1915       |           |              |
| Assessment District No. 97-17,            |           |              |
| Series 1998,                              |           |              |
| LOC: State Street Bank & Trust Co.        |           |              |
| 3.460% 09/02/23                           | 200,000   | 200,000      |
| CA Madera Irrigation Financing Authority, |           |              |
| Series 2005 A,                            |           |              |
| Insured: XLCA                             |           |              |
| SPA: Dexia Credit Local                   |           |              |
| 3.540% 01/01/36                           | 300,000   | 300,000      |
|   |           | -----        |
| VARIABLE RATE DEMAND NOTES TOTAL          |           | 1,100,000    |
|   |           | -----        |
| TOTAL SHORT-TERM OBLIGATIONS              |           |              |
| (cost of \$1,100,000)                     |           | 1,100,000    |
|   |           | -----        |
| TOTAL INVESTMENTS - 158.2%                |           |              |
| (cost of \$61,492,090) (f)                |           | 64,424,791   |
| AUCTION PREFERRED SHARES PLUS             |           |              |
| CUMULATIVE UNPAID DISTRIBUTIONS           |           |              |
| - (60.0)%                                 |           | (24,437,543) |
| OTHER ASSETS & LIABILITIES, NET - 1.8%    |           | 735,298      |
|   |           | -----        |
| NET ASSETS APPLICABLE TO COMMON           |           |              |
| SHAREHOLDERS - 100.0%                     |           | 40,722,546   |
|   |           | -----        |

See Accompanying Notes to Financial Statements.

[GRAPHIC]

INVESTMENT PORTFOLIO (continued)

May 31, 2006 (Unaudited)

NOTES TO INVESTMENT PORTFOLIO:

- 
- (a) The Fund has been informed that each issuer has placed direct obligations of the U.S. Government in an irrevocable trust, solely for the payment of principal and interest.
  - (b) A portion of this security with a market value of \$1,613,535 is pledged as collateral for open futures contracts.
  - (c) Denotes a restricted security, which is subject to restrictions on resale under federal securities laws or in transactions exempt from registration. At May 31, 2006, the value of this security represents 0.7% of net assets.

| Security   | Acquisition<br>Date | Acquisition<br>Cost |
|--|---------------------|---------------------|
| -----  |                     |                     |
| CA Statewide Communities<br>Development Authority, Eskaton<br>Village - Grass Valley, Series 2000<br>Pre-refunded 11/15/10,<br>8.250% 11/15/31 | 09/08/00            | \$250,000           |

- (d) Zero coupon bond.
- (e) Variable rate demand note. These securities are payable upon demand and are secured by letters of credit or other credit support agreements from banks. The interest rate changes periodically and the interest rate shown reflects the rate as of May 31, 2006.
- (f) Cost for federal income tax purposes is \$61,432,946.

At May 31, 2006, the Fund held the following open short futures contracts:

| TYPE                          | NUMBER OF<br>CONTRACTS | VALUE       | AGGREGATE<br>FACE VALUE | EXPIRATION<br>DATE | UNREALIZED<br>APPRECIATION |
|-------------------------------|------------------------|-------------|-------------------------|--------------------|----------------------------|
| -----                         |                        |             |                         |                    |                            |
| 10 Year U.S<br>Treasury Notes | 53                     | \$5,569,140 | \$5,671,280             | Jun-06             | \$102,140                  |

At May 31, 2006, the composition of the Fund by revenue source is as follows:

| HOLDINGS BY REVENUE SOURCE | % OF<br>NET ASSETS |
|----------------------------|--------------------|
| -----                      |                    |



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|                                 |        |
|---------------------------------|--------|
| Tax-Backed                      | 68.4%  |
| Utility                         | 39.7   |
| Other                           | 20.4   |
| Education                       | 9.3    |
| Transportation                  | 8.8    |
| Housing                         | 5.3    |
| Health Care                     | 2.3    |
| Resource Recovery               | 1.3    |
| Short-Term Obligation           | 2.7    |
| Auction Preferred Shares        | (60.0) |
| Other Assets & Liabilities, Net | 1.8    |
|                                 | -----  |
|                                 | 100.0% |
|                                 | -----  |

| ACRONYM | NAME                                     |
|---------|--|
| -----   | -----                                    |
| ABAG    | Association of Bay Area Government       |
| AMBAC   | Ambac Assurance Corp.                    |
| AMT     | Alternative Minimum Tax                  |
| FGIC    | Financial Guaranty Insurance Co.         |
| FNMA    | Federal National Mortgage Association    |
| FSA     | Financial Security Assurance, Inc.       |
| GNMA    | Government National Mortgage Association |
| LOC     | Letter of Credit                         |
| MBIA    | MBIA Insurance Corp.                     |
| SPA     | Stand-by Purchase Agreement              |
| XLCA    | XL Capital Assurance, Inc.               |

See Accompanying Notes to Financial Statements.

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[GRAPHIC]

STATEMENT OF ASSETS AND LIABILITIES

May 31, 2006 (Unaudited)

|   |              |
|---|--------------|
| ASSETS:                                   |              |
| Investments, at cost                      | \$61,492,090 |
|   | -----        |
| Investments, at value                     | \$64,424,791 |
| Cash                                      | 47,215       |
| Receivable for:                           |              |
| Interest                                  | 898,788      |
| Futures variation margin                  | 16,562       |
| Expense reimbursement due from Investment |              |
| Advisor                                   | 11,845       |
| Deferred Trustees' compensation plan      | 7,753        |

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|              |            |
|--------------|------------|
| Other assets | 9,188      |
|              | -----      |
| Total Assets | 65,416,142 |
|              | -----      |

LIABILITIES:

Payable for:

|                                   |         |
|-----------------------------------|---------|
| Distributions -- common shares    | 164,065 |
| Distributions -- preferred shares | 12,457  |
| Investment advisory fee           | 25,836  |
| Transfer agent fee                | 5,730   |
| Audit fee                         | 10,979  |
| Custody fee                       | 1,078   |
| Reports to shareholders           | 15,071  |
| Chief compliance officer expenses | 627     |
| Deferred Trustees' fees           | 7,753   |
|                                   | -----   |
| Total Liabilities                 | 243,596 |
|                                   | -----   |

|  |              |
|--|--------------|
| AUCTION PREFERRED SHARES (978 shares issued and outstanding at \$25,000 per share) | \$24,450,000 |
|  | -----        |

COMPOSITION OF NET ASSETS APPLICABLE TO COMMON SHARES:

|  |              |
|--|--------------|
| Paid-in capital -- common shares   | \$39,376,142 |
| Undistributed net investment income  | 24,371       |
| Accumulated net realized loss  | (1,712,808)  |
| Net unrealized appreciation on:  |              |
| Investments  | 2,932,701    |
| Futures contracts  | 102,140      |
|  | -----        |
| Net assets at value applicable to 2,780,771 common shares of beneficial interest outstanding | \$40,722,546 |
|  | -----        |
| Net asset value per common share   | \$ 14.64     |
|  | -----        |

[GRAPHIC]

STATEMENT OF OPERATIONS

For the Six Months Ended May 31, 2006 (Unaudited)

|                    |             |
|--------------------|-------------|
| INVESTMENT INCOME: |             |
| Interest           | \$1,571,517 |
|                    | -----       |

EXPENSES:

|                              |         |
|------------------------------|---------|
| Investment advisory fee      | 213,079 |
| Transfer agent fee           | 16,223  |
| Pricing and bookkeeping fees | 44,174  |
| Trustees' fees               | 4,823   |
| Custody fee                  | 4,265   |
| Audit fee                    | 15,656  |

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|  |            |
|--|------------|
| Reports to shareholders  | 13,672     |
| Preferred shares remarketing commissions   | 30,514     |
| Chief compliance officer expenses<br>(See Note 4)                                | 1,938      |
| Other expenses   | 10,763     |
|  | -----      |
| Total Expenses   | 355,107    |
| Fees and expenses waived or reimbursed by<br>Investment Advisor                  | (140,710)  |
| Custody earnings credit  | (1,319)    |
|  | -----      |
| Net Expenses   | 213,078    |
|  | -----      |
| Net Investment Income  | 1,358,439  |
|  | -----      |
| NET REALIZED AND UNREALIZED GAIN (LOSS)<br>ON INVESTMENTS AND FUTURES CONTRACTS: |            |
| Net realized gain (loss) on:   |            |
| Investments  | 185,535    |
| Futures contracts  | 67,056     |
|  | -----      |
| Net realized gain  | 252,591    |
|  | -----      |
| Net change in unrealized appreciation<br>(depreciation) on:                      |            |
| Investments  | (674,108)  |
| Futures contracts  | 104,287    |
|  | -----      |
| Net change in unrealized appreciation<br>(depreciation)                          | (569,821)  |
|  | -----      |
| Net Loss   | (317,230)  |
|  | -----      |
| Net Increase in Net Assets from Operations                                       | 1,041,209  |
|  | -----      |
| LESS DISTRIBUTIONS DECLARED TO<br>PREFERRED SHAREHOLDERS:                        |            |
| From net investment income   | (366,672)  |
|  | -----      |
| Net Increase in Net Assets from Operations<br>Applicable to Common Shares        | \$ 674,537 |
|  | -----      |

See Accompanying Notes to Financial Statements.

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[GRAPHIC]

STATEMENT OF CHANGES IN NET ASSETS

(UNAUDITED)

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|  | SIX MONTHS<br>ENDED<br>MAY 31,<br>2006 | YEAR ENDED<br>NOVEMBER 30,<br>2005 |
|--|--|------------------------------------|
| INCREASE (DECREASE) IN NET ASSETS:   |  |                                    |
| -----  |  |                                    |
| OPERATIONS   |  |                                    |
| Net investment income  | \$ 1,358,439                           | \$ 2,825,741                       |
| Net realized gain (loss) on<br>investments and futures<br>contracts  | 252,591                                | 1,433,896                          |
| Net change in unrealized<br>appreciation (depreciation)<br>on investments and futures<br>contracts               | (569,821)                              | (2,001,238)                        |
| Net Increase from Operations   | 1,041,209                              | 2,258,399                          |
| -----  |  |                                    |
| LESS DISTRIBUTIONS<br>DECLARED TO PREFERRED<br>SHAREHOLDERS:   |  |                                    |
| From net investment income   | (366,672)                              | (482,024)                          |
| Net Increase in Net Assets<br>from Operations Applicable<br>to Common Shares                                     | 674,537                                | 1,776,375                          |
| -----  |  |                                    |
| LESS DISTRIBUTIONS<br>DECLARED TO COMMON<br>SHAREHOLDERS:  |  |                                    |
| From net investment income   | (1,028,885)                            | (2,330,286)                        |
| -----  |  |                                    |
| SHARE TRANSACTIONS:  |  |                                    |
| Distributions reinvested --<br>common shares   | --                                     | --                                 |
| -----  |  |                                    |
| Total Decrease in Net Assets<br>Applicable to Common<br>Shares   | (354,348)                              | (553,911)                          |
| -----  |  |                                    |
| NET ASSETS APPLICABLE TO<br>COMMON SHARES:   |  |                                    |
| Beginning of period  | 41,076,894                             | 41,630,805                         |
| -----  |  |                                    |
| End of period (including<br>undistributed net<br>investment income of<br>\$24,371 and \$61,489,<br>respectively) | \$40,722,546                           | \$41,076,894                       |
| -----  |  |                                    |

(UNAUDITED)

SIX MONTHS

|                        | ENDED<br>MAY 31,<br>2006 | YEAR ENDED<br>NOVEMBER 30,<br>2005 |
|------------------------|--------------------------|------------------------------------|
| NUMBER OF FUND SHARES: |                          |                                    |
| -----                  |                          |                                    |

Common Shares:  
Issued for distributions

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|                              |           |           |
|------------------------------|-----------|-----------|
| reinvested                   | --        | --        |
| Outstanding at:              |           |           |
| Beginning of period          | 2,780,771 | 2,780,771 |
|                              | -----     | -----     |
| End of period                | 2,780,771 | 2,780,771 |
|                              | -----     | -----     |
| Preferred Shares:            |           |           |
| Outstanding at end of period | 978       | 978       |
|                              | -----     | -----     |

See Accompanying Notes to Financial Statements.

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[GRAPHIC]

FINANCIAL HIGHLIGHTS

Selected data for a share outstanding throughout each period is as follows (common shares unless otherwise noted):

|   | (UNAUDITED)<br>SIX MONTHS<br>ENDED<br>MAY 31,<br>2006 | 2005     | 2004     | 2003     |    |
|---|---|----------|----------|----------|----|
| NET ASSET VALUE, BEGINNING OF PERIOD  | \$ 14.77  | \$ 14.97 | \$ 15.21 | \$ 15.30 | \$ |
| INCOME FROM INVESTMENT OPERATIONS:  |   |          |          |          |    |
| Net investment income   | 0.49  | 1.02 (b) | 1.03 (b) | 1.10 (b) |    |
| Net realized and unrealized gain (loss) on<br>investments, futures contracts and<br>written options | (0.12)  | (0.21)   | (0.26)   | (0.09)   |    |
| Total from Investment Operations  | 0.37  | 0.81     | 0.77     | 1.01     |    |
| LESS DISTRIBUTIONS DECLARED TO<br>PREFERRED SHAREHOLDERS:   |   |          |          |          |    |
| From net investment income  | (0.13)  | (0.17)   | (0.09)   | (0.08)   |    |
| Total from Investment Operations<br>Applicable to Common Shareholders                               | 0.24  | 0.64     | 0.68     | 0.93     |    |
| LESS DISTRIBUTIONS DECLARED TO<br>COMMON SHAREHOLDERS:  |   |          |          |          |    |
| From net investment income  | (0.37)  | (0.84)   | (0.92)   | (1.02)   |    |
| LESS SHARE TRANSACTIONS:  |   |          |          |          |    |
| Offering costs -- common shares   | --  | --       | --       | --       |    |
| Commission and offering costs --<br>preferred shares  | --  | --       | --       | --       |    |

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|  |               |           |           |           |
|--|---------------|-----------|-----------|-----------|
| Total Share Transactions                                       | ---           | ---       | ---       | ---       |
| NET ASSET VALUE, END OF PERIOD                                 | \$ 14.64      | \$ 14.77  | \$ 14.97  | \$ 15.21  |
| Market price per share -- common shares                        | \$ 13.70      | \$ 14.20  | \$ 13.61  | \$ 15.60  |
| Total return -- based on market value -- common shares (f) (g) | (0.95)% (h)   | 10.63%    | (6.99)%   | 1.65%     |
| RATIOS TO AVERAGE NET ASSETS/<br>SUPPLEMENTAL DATA:            |               |           |           |           |
| Expenses (i) (j)   | 1.03% (k) (l) | 0.95% (k) | 0.87% (k) | 0.88% (k) |
| Net investment income before preferred stock dividends (i) (j) | 6.57% (l)     | 6.72%     | 6.89%     | 7.17%     |
| Net investment income after preferred stock dividends (i) (j)  | 4.80% (l)     | 5.57%     | 6.30%     | 6.63%     |
| Voluntary waiver/reimbursement (j)                             | 0.37% (l)     | 0.31%     | 0.21%     | 0.26%     |
| Portfolio turnover rate  | 6% (h)        | 29%       | 16%       | 10%       |
| Net assets, end of period (000's) -- common shares             | \$40,723      | \$41,077  | \$41,631  | \$42,260  |

|   | 2000     | PERIOD ENDED<br>NOVEMBER 30,<br>1999 (A) |
|---|----------|--|
| NET ASSET VALUE, BEGINNING OF PERIOD  | \$ 14.29 | \$ 14.33                                 |
| INCOME FROM INVESTMENT OPERATIONS:  |          |  |
| Net investment income   | 1.18 (d) | 0.05                                     |
| Net realized and unrealized gain (loss) on investments, futures contracts and written options | 1.07     | (0.06)                                   |
| Total from Investment Operations  | 2.25     | (0.01)                                   |
| LESS DISTRIBUTIONS DECLARED TO PREFERRED SHAREHOLDERS:  |          |  |
| From net investment income  | (0.34)   | --                                       |
| Total from Investment Operations Applicable to Common Shareholders                            | 1.91     | (0.01)                                   |
| LESS DISTRIBUTIONS DECLARED TO COMMON SHAREHOLDERS:   |          |  |
| From net investment income  | (0.90)   | --                                       |
| LESS SHARE TRANSACTIONS:  |          |  |
| Offering costs -- common shares   | -- (e)   | (0.03)                                   |
| Commission and offering costs -- preferred shares   | (0.14)   | --                                       |
| Total Share Transactions  | (0.14)   | (0.03)                                   |
| NET ASSET VALUE, END OF PERIOD  | \$ 15.16 | \$ 14.29                                 |

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|  |           |           |
|--|-----------|-----------|
| Market price per share -- common shares                        | \$ 12.69  | \$ 15.00  |
|  | -----     | -----     |
| Total return -- based on market value -- common shares (f) (g) | (9.86)%   | 0.00% (h) |
|  | -----     | -----     |
| RATIOS TO AVERAGE NET ASSETS/<br>SUPPLEMENTAL DATA:            |           |           |
| Expenses (i) (j)   | 0.87% (k) | 0.55% (l) |
| Net investment income before preferred stock dividends (i) (j) | 8.27%     | 4.12% (l) |
| Net investment income after preferred stock dividends (i) (j)  | 5.93%     | 4.12% (l) |
| Voluntary waiver/reimbursement (j)                             | 0.27%     | 1.08% (l) |
| Portfolio turnover rate  | 22%       | 0% (h)    |
| Net assets, end of period (000's) -- common shares             | \$41,947  | \$34,382  |

- (a) The Fund commenced investment operations on October 29, 1999. Per share data and total return reflect activity from that date.
- (b) Per share data was calculated using average shares outstanding during the period.
- (c) Effective December 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began accreting market discount on all debt securities. The effect of this change for the year ended November 30, 2002 was to increase the ratio of net investment income to average net assets from 7.51% to 7.57% and increase the ratio of net investment income (adjusted for dividend payments to preferred shareholders) from 6.75% to 6.81%. The impact to the net investment income and net realized and unrealized loss per share was less than \$0.01. Per share data and ratios for periods prior to November 30, 2002 have not been restated to reflect this change in presentation.
- (d) The per share net investment income amount does not reflect the period's reclassifications of differences between book and tax basis net investment income.
- (e) Rounds to less than \$0.01 per share.
- (f) Total return at market value assuming all distributions reinvested at prices calculated in accordance with the Dividend Reinvestment Plan.
- (g) Had the Investment Advisor and/or any of its affiliates not waived or reimbursed a portion of expenses, total return would have been reduced.
- (h) Not annualized.
- (i) The benefits derived from custody credits had an impact of less than 0.01%, except for the year ended November 30, 2004 which had an impact of 0.01% and the year ended November 30, 2003 which had an impact of 0.02%.
- (j) Ratios reflect average net assets available to common shares only.
- (k) Ratios calculated using average net assets including auction preferred shares of the Fund, including the effect of custody credits equals 0.65%, 0.60%, 0.55%, 0.55%, 0.55%, 0.55% and 0.55% for the six months ended May 31, 2006 and for the years ended November 30, 2005, November 30, 2004, November 30, 2003, November 30, 2002, November 30, 2001 and November 30, 2000, respectively.
- (l) Annualized.

See Accompanying Notes to Financial Statements.

[GRAPHIC]

NOTES TO FINANCIAL STATEMENTS

May 31, 2006 (Unaudited)

NOTE 1. ORGANIZATION

Colonial California Insured Municipal Fund (the "Fund") is a Massachusetts business trust registered under the Investment Company Act of 1940 (the "Act"), as amended, as a non-diversified, closed-end management investment company.

INVESTMENT GOAL

The Fund seeks to provide current income generally exempt from ordinary federal income tax and California State personal income tax.

FUND SHARES

The Fund may issue an unlimited number of common shares. On December 10, 1999, the Fund issued 978 Auction Preferred Shares ("APS").

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

SECURITY VALUATION

Debt securities generally are valued by pricing services approved by the Fund's Board of Trustees, based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available are valued at an over-the-counter or exchange bid quotation. Certain debt securities, which tend to be more thinly traded and of lesser quality, are priced based on fundamental analysis of the financial condition of the issuer and the estimated value of any collateral. Valuations developed through pricing techniques may vary from the actual amounts realized upon sale of the securities, and the potential variation may be greater for those securities valued using fundamental analysis.

Short-term debt obligations maturing within 60 days are valued at amortized cost, which approximates market value.

Investments in open end investment companies are valued at net asset value.

Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded.

Investments for which market quotations are not readily available, or that have



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quotations which management believes are not appropriate, are valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board of Trustees. If a security is valued at "fair value", such value is likely to be different from the last quoted market price for the security.

### SECURITY TRANSACTIONS

Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

### FUTURES CONTRACTS

The Fund may invest in municipal and U.S. Treasury futures contracts. The Fund will invest in these instruments to hedge against the effects of changes in the value of portfolio securities due to anticipated changes in interest rates and/or market conditions, for duration management, or when the transactions are economically appropriate to the reduction of risk inherent in the management of the Fund and not for trading purposes. The use of futures contracts involves certain risks, which include: (1) imperfect correlation between the price movement of the instruments and the underlying securities, (2) inability to close out positions due to differing trading hours, or the temporary absence of a liquid market, for either the instrument or the underlying securities, or (3) an inaccurate prediction by Columbia Management Advisors, LLC of the future direction of interest rates. Any of these risks may involve amounts exceeding the variation margin recorded in the Fund's Statement of Assets and Liabilities at any given time.

Upon entering into a futures contract, the Fund deposits cash or securities with the broker in an amount sufficient to meet the initial margin requirement. Subsequent payments are made or received by the Fund equal to the daily change in the contract value and are recorded as variation margin receivable or payable and offset in unrealized gains or losses. The Fund also identifies

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[GRAPHIC]

NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2006 (Unaudited)

portfolio securities as segregated with the custodian in a separate account in an amount equal to the futures contract. The Fund recognizes a realized gain or loss when the contract is closed or expires.

### RESTRICTED SECURITIES

Restricted securities are securities that may only be resold upon registration under federal securities laws or in transactions exempt from registration. In some cases, the issuer of restricted securities has agreed to register such securities for resale at the issuer's expense either upon demand by the Fund or in connection with another registered offering of the securities. Many restricted securities may be resold in the secondary market in transactions exempt from registration. Such restricted securities may be determined to be

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liquid under criteria established by the Board of Trustees. The Fund will not incur any registration costs upon such resale.

### INCOME RECOGNITION

Interest income is recorded on the accrual basis. Original issue discount is accreted to interest income over the life of the security with a corresponding increase in the cost basis. Premium and discount are amortized and accreted, respectively, on all debt securities.

### FEDERAL INCOME TAX STATUS

The Fund intends to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code, as amended, and will distribute substantially all of its tax-exempt or taxable income, if any, for its tax year, and as such will not be subject to federal income taxes. In addition, the Fund intends to distribute in each calendar year substantially all of its net investment income, capital gains and certain other amounts, if any, such that the Fund should not be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded.

### DISTRIBUTIONS TO SHAREHOLDERS

Distributions to common shareholders are recorded on the ex-date. Distributions to Auction Preferred shareholders are recorded daily and payable at the end of each dividend period. Each dividend payment period for the APS is generally seven days. The applicable dividend rate for the APS on May 31, 2006, was 3.100%. For the six months ended May 31, 2006, the Fund declared dividends to Auction Preferred shareholders amounting to \$366,672, representing an annualized average dividend rate of 3.00% per APS.

### NOTE 3. FEDERAL TAX INFORMATION

The tax character of distributions paid during the year ended November 30, 2005, was as follows:

|                          | NOVEMBER 30,<br>2005 |
|--------------------------|----------------------|
| -                        | -----                |
| Distributions paid from: |                      |
| Tax-Exempt Income        | \$2,812,194          |
| Ordinary Income          | 116                  |
| Long-Term Capital Gains  | --                   |

Unrealized appreciation and depreciation at May 31, 2006, based on cost of investments for federal income tax purposes, was:

|                             |             |
|-----------------------------|-------------|
| Unrealized appreciation     | \$3,388,790 |
| Unrealized depreciation     | (396,945)   |
|                             | -----       |
| Net unrealized appreciation | \$2,991,845 |
|                             | -----       |

The following capital loss carryforwards, determined as of November 30, 2005, may be available to reduce taxable income arising from future net realized

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gains on investments, if any, to the extent permitted by the Internal Revenue Code:

| YEAR OF EXPIRATION | CAPITAL LOSS CARRYFORWARD |
|--------------------|---------------------------|
| 2011               | \$567,385                 |
| 2012               | 70,908                    |
|                    | -----                     |
|                    | \$638,293                 |
|                    | -----                     |

#### NOTE 4. FEES AND COMPENSATION PAID TO AFFILIATES

##### INVESTMENT ADVISORY FEE

Columbia Management Advisors, LLC ("Columbia"), an indirect, wholly-owned subsidiary of Bank of America Corporation ("BOA"), is the investment advisor to the Fund and provides administrative and other services. Columbia receives a monthly investment advisory fee at the annual rate of 0.65% of the Fund's average weekly net assets, including assets applicable to the APS.

Columbia contractually agreed to waive a portion of its investment advisory fee through November 30, 2006, so that such fee will not exceed 0.45% annually. Columbia has contractually agreed to waive a portion of its investment advisory fee for the years ending November 30, 2007, 2008 and 2009 so that the Fund's investment advisory fees will not exceed the annual rates of 0.50%, 0.55% and 0.60%, respectively.

##### PRICING AND BOOKKEEPING FEES

Columbia is responsible for providing pricing and bookkeeping services to the Fund under a pricing and

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[GRAPHIC]

#### NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2006 (Unaudited)

bookkeeping agreement. Under a separate agreement (the "Outsourcing Agreement"), Columbia has delegated those functions to State Street Corporation ("State Street"). As a result, Columbia pays State Street the total fees collected under the pricing and bookkeeping agreement.

Under its pricing and bookkeeping agreement with the Fund, Columbia receives an annual fee of \$38,000 paid monthly plus an additional monthly fee based on the level of average daily net assets for the month; provided that during any 12-month period, the aggregate fee, exclusive of out-of-pocket expenses and charges, shall not exceed \$140,000.

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The Fund also reimburses Columbia and State Street for out-of-pocket expenses and charges, including fees payable to third parties for pricing the Fund's portfolio securities and direct internal costs incurred by Columbia in connection with providing fund accounting oversight and monitoring and certain other services. For the six months ended May 31, 2006, the annualized effective pricing and bookkeeping fee rate for the Fund, inclusive of out-of-pocket expenses, was 0.135% of the Fund's average daily net assets.

### FEE WAIVERS

Columbia has voluntarily agreed to reimburse the Fund for certain expenses so that total expenses (exclusive of investment advisory fees, brokerage commissions, interest, taxes and extraordinary expenses, if any) will not exceed 0.20% annually of the Fund's average weekly net assets, including assets applicable to APS. Columbia, at its discretion, may revise or discontinue this arrangement any time.

### CUSTODY CREDITS

The Fund has an agreement with its custodian bank under which custody fees may be reduced by balance credits. These credits are recorded as a reduction of total expenses on the Statement of Operations. The Fund could have invested a portion of the assets utilized in connection with the expense offset arrangement in an income-producing asset if it had not entered into such an agreement.

### FEES PAID TO OFFICERS AND TRUSTEES

With the exception of one officer, all officers of the Fund are employees of Columbia or its affiliates and receive no compensation from the Fund. The Board of Trustees has appointed a Chief Compliance Officer to the Fund in accordance with federal securities regulations. The Fund, along with other affiliated funds, will pay its pro-rata share of the expenses associated with the Chief Compliance Officer position. The Fund's fee for the Office of the Chief Compliance Officer will not exceed \$15,000 per year.

The Fund's Trustees may participate in a deferred compensation plan which may be terminated at any time. Obligations of the plan will be paid solely out of the Fund's assets.

### OTHER

Columbia provides certain services to the Fund related to Sarbanes-Oxley compliance. For the six months ended May 31, 2006, the Fund paid \$1,194 to Columbia for such services. This amount is included in "Other expenses" on the Statement of Operations.

### NOTE 5. PORTFOLIO INFORMATION

For the six months ended May 31, 2006, the cost of purchases and proceeds from sales of securities, excluding short-term obligations, were \$3,577,396 and \$4,180,466, respectively.

### NOTE 6. PREFERRED SHARES

The Fund currently has outstanding 978 APS. The APS are redeemable at the option of the Fund on any dividend payment date at the redemption price of \$25,000 per share, plus an amount equal to any dividends accumulated on a daily basis unpaid through the redemption date (whether or not such dividends have been declared).

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Under the Act, the Fund is required to maintain asset coverage of at least 200% with respect to the APS as of the last business day of each month in which any APS are outstanding. Additionally, the Fund is required to meet more stringent asset coverage requirements under the terms of the APS Agreement and in accordance with the guidelines prescribed by the APS' rating agencies. Should these requirements not be met, or should dividends accrued on the APS not be paid, the Fund may be restricted in its ability to declare dividends to common shareholders or may be required to redeem certain APS. At May 31, 2006, there were no such restrictions on the Fund.

### NOTE 7. DISCLOSURE OF SIGNIFICANT RISKS AND CONTINGENCIES

#### CONCENTRATION OF CREDIT RISK

The Fund holds investments that are insured by private insurers who guarantee the payment of principal and interest in the event of default or that are supported by a letter of credit. Each of the Fund's insurers is rated Aaa by Moody's Investor Services, Inc. At May 31, 2006, private

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[GRAPHIC]

#### NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2006 (Unaudited)

insurers who insure greater than 5% of the total investments of the Fund were as follows:

| INSURER                            | % OF TOTAL<br>INVESTMENTS |
|------------------------------------|---------------------------|
| MBIA Insurance Corp.               | 39.3                      |
| Ambac Assurance Corp.              | 19.8                      |
| Financial Guaranty Insurance Corp. | 15.5                      |
| Financial Security Assurance, Inc. | 14.4                      |

#### GEOGRAPHIC CONCENTRATION

The Fund has greater than 5% of its total investments at May 31, 2006 invested in debt obligations issued by the state of California and its respective political subdivisions, agencies and public authorities. The Fund is more susceptible to economic and political factors adversely affecting issuers of the state's municipal securities than are municipal bond funds that are not concentrated to the same extent in these issuers.

#### HIGH-YIELD SECURITIES

Investing in high-yield securities may involve greater credit risk and considerations not typically associated with investing in U.S. government bonds and other higher quality fixed income securities. These securities are

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non-investment grade securities, often referred to as "junk" bonds. Economic downturns may disrupt the high yield market and impair the ability of issuers to repay principal and interest. Also, an increase in interest rates would likely have an adverse impact on the value of such obligations. Moreover, high-yield securities may be less liquid to the extent that there is no established secondary market.

### ISSUER FOCUS

As a non-diversified fund, the Fund may invest a greater percentage of its total assets in the securities of fewer issuers than a diversified fund. The Fund may, therefore, have a greater risk of loss from a few issuers than a similar fund that invests more broadly.

### LEGAL PROCEEDINGS

On February 9, 2005, Columbia Management Advisors, Inc. (which has since merged into Banc of America Capital Management, LLC (now named Columbia Management Advisors, LLC)) ("Columbia") and Columbia Funds Distributor, Inc. (which has been renamed Columbia Management Distributors, Inc.) (the "Distributor") (collectively, the "Columbia Group") entered into an Assurance of Discontinuance with the New York Attorney General ("NYAG") (the "NYAG Settlement") and consented to the entry of a cease-and-desist order by the Securities and Exchange Commission ("SEC") (the "SEC Order"). The SEC Order and the NYAG Settlement are referred to collectively as the "Settlements". The Settlements contain substantially the same terms and conditions as outlined in the agreements in principle which Columbia Group entered into with the SEC and NYAG in March 2004.

Under the terms of the SEC Order, the Columbia Group agreed, among other things, to: pay \$70 million in disgorgement and \$70 million in civil money penalties; cease and desist from violations of the antifraud provisions and certain other provisions of the federal securities laws; maintain certain compliance and ethics oversight structures; retain an independent consultant to review the Columbia Group's applicable supervisory, compliance, control and other policies and procedures; and retain an independent distribution consultant (see below). The Columbia Funds have also voluntarily undertaken to implement certain governance measures designed to maintain the independence of their boards of trustees. The NYAG Settlement also, among other things, requires Columbia and its affiliates to reduce management fees for certain Columbia Funds (including the former Nations Funds) and other mutual funds collectively by \$32 million per year for five years, for a projected total of \$160 million in management fee reductions.

Pursuant to the procedures set forth in the SEC order, the \$140 million in settlement amounts described above will be distributed in accordance with a distribution plan developed by an independent distribution consultant and approved by the SEC. The independent distribution consultant has been in consultation with the staff of the SEC and has submitted a proposed plan of distribution. The SEC has not yet approved a final plan of distribution.

As a result of these matters or any adverse publicity or other developments resulting from them, the market price of the shares could decline.

A copy of the SEC Order is available on the SEC website at <http://www.sec.gov>. A copy of the NYAG Settlement is available as part of the Bank of America Corporation Form 8-K filing on February 10, 2005.

In connection with the events described in detail above, various parties have filed suit against certain funds, the Trustees of the Columbia Funds, FleetBoston Financial Corporation and its affiliated entities and/or Bank of America and its affiliated entities.

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On February 20, 2004, the Judicial Panel on Multidistrict Litigation transferred these cases and cases

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[GRAPHIC]

### NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2006 (Unaudited)

against several other mutual fund companies based on similar allegations to the United States District Court in Maryland for consolidated or coordinated pretrial proceedings (the 'MDL'). Subsequently, additional related cases were transferred to the MDL. On September 29, 2004, the plaintiffs in the MDL filed amended and consolidated complaints. One of these amended complaints is a putative class action that includes claims under the federal securities laws and state common law, and that names Columbia, the Distributor, the Trustees of the Columbia Funds, Bank of America Corporation and others as defendants. Another of the amended complaints is a derivative action purportedly on behalf of the Columbia Funds that asserts claims under federal securities laws and state common law.

On February 25, 2005, Columbia and other defendants filed motions to dismiss the claims in the pending cases. On March 1, 2006, for reasons stated in the court's memoranda dated November 3, 2005, the U.S. District Court for the District of Maryland granted in part and denied in part the defendants' motions to dismiss. The court dismissed all of the class action claims pending against the Columbia Funds Trusts and the Columbia Acorn Trust. As to Columbia and the Distributor, the claims under the Securities Act of 1933, the claims under Sections 34(b) and 36(a) of the Investment Company Act of 1940 ("ICA") and the state law claims were dismissed. The claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and claims under Section 36(b) of the ICA along with related claims under Section 48(a) of the ICA were not dismissed.

On March 21, 2005, a purported class action was filed in Massachusetts state court alleging that the conduct, including market timing, entitles Class B shareholders in certain Columbia funds to an exemption from contingent deferred sales charges upon early redemption ("the CDSC Lawsuit"). The CDSC Lawsuit has been removed to federal court in Massachusetts and the federal Judicial Panel has transferred the CDSC Lawsuit to the MDL.

The MDL is ongoing. Accordingly, an estimate of the financial impact of this litigation on any fund, if any, cannot currently be made.

In 2004, certain Columbia funds, the Trustees of the Columbia Funds, advisers and affiliated entities were named as defendants in certain purported shareholder class and derivative actions making claims, including claims under the Investment Company and the Investment Advisers Acts of 1940 and state law. The suits allege, inter alia, that the fees and expenses paid by the funds are excessive and that the advisers and their affiliates inappropriately used fund assets to distribute the funds and for other improper purpose. On March 2, 2005, the actions were consolidated in the Massachusetts federal court as In re Columbia Entities Litigation. The plaintiffs filed a consolidated amended complaint on June 9, 2005. On November 30, 2005, the judge dismissed all claims

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by plaintiffs and ordered that the case be closed. The plaintiffs filed a notice of appeal on December 30, 2005 and this appeal is pending.

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[GRAPHIC]

### ASSET COVERAGE REQUIREMENTS

|              | TOTAL AMOUNT<br>OUTSTANDING | ASSET<br>COVERAGE<br>PER SHARE* | INVOLUNTARY<br>LIQUIDATING<br>PREFERENCE<br>PER SHARE | AVERAGE<br>MARKET VALUE<br>PER SHARE |
|--------------|-----------------------------|---------------------------------|---|--------------------------------------|
| 05/31/06 **  | \$24,450,000                | \$66,639                        | \$24,987  | \$25,000                             |
| 11/30/05     | 24,450,000                  | 67,001                          | 25,012  | 25,000                               |
| 11/30/04     | 24,450,000                  | 67,567                          | 25,003  | 25,000                               |
| 11/30/03     | 24,450,000                  | 68,211                          | 25,002  | 25,000                               |
| 11/30/02     | 24,450,000                  | 68,387                          | 25,002  | 25,000                               |
| 11/30/01     | 24,450,000                  | 69,661                          | 25,001  | 25,000                               |
| 11/30/00 *** | 24,450,000                  | 67,891                          | 25,019  | 25,000                               |

\* Calculated by subtracting the Fund's total liabilities from the Fund's total assets and dividing the amount by the number of APS outstanding.

\*\*Unaudited

\*\*\*On December 10, 1999, the Fund began offering Auction Preferred Shares.

[GRAPHIC]

### SHAREHOLDER MEETING RESULTS

#### RESULTS OF THE ANNUAL MEETING OF SHAREHOLDERS

On May 24, 2006, the Annual Meeting of Shareholders of the Fund was held to consider re-election of Trustees. On March 10, 2006, the record date for the Meeting, the Fund had 2,780,771 common shares outstanding and 978 preferred shares outstanding. The votes cast were as follows:

#### ELECTION OF TRUSTEES:

The shareholders re-elected the following Trustees as follows:

|                   | FOR       | WITHHELD |
|-------------------|-----------|----------|
| Richard W. Lowry  | 2,625,683 | 60,173   |
| William E. Mayer  | 2,582,758 | 103,098  |
| Charles R. Nelson | 2,636,158 | 49,698   |



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Richard L. Woolworth 2,631,808 54,048

The holders of preferred shareholders re-elected the following Trustees as follows:

FOR WITHHELD

-----  
Douglas A. Hacker 730 14  
Thomas E. Stitzel 730 14

The terms of office of Thomas C. Theobald, Janet Langford Kelly, John J. Neuhauser, Patrick J. Simpson and Anne-Lee Verville continued after the Meeting.

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[GRAPHIC]

DIVIDEND REINVESTMENT PLAN

COLONIAL CALIFORNIA INSURED MUNICIPAL FUND

Pursuant to the Fund's Dividend Reinvestment Plan (the "Plan"), all Common Shareholders whose shares are registered in their own names will have all distributions reinvested automatically in additional Common Shares of the Fund by Computershare (the "Plan Agent"), as agent under the Plan, unless a Common Shareholder elects to receive cash. An election to receive cash may be revoked or reinstated at the option of the Common Shareholder. Shareholders whose shares are held in the name of a broker or nominee will have distributions reinvested automatically by the broker or nominee in additional shares under the Plan, unless the service is not provided by the broker or nominee, or unless the shareholder elects to receive distributions in cash. If the service is not available, such distributions will be paid in cash. Shareholders whose shares are held in the name of a broker or nominee should contact the broker or nominee for details. All distributions to investors who elect not to participate (or whose broker or nominee elects not to participate) in the Plan will be paid by check mailed directly to the record holder by the Plan Agent, as dividend paying agent.

The Plan Agent will furnish each person who buys shares in the offering with written information relating to the Plan. Included in such information will be procedures for electing to receive distributions in cash (or, in the case of shares held in the name of a broker or nominee who does not participate in the Plan, procedures for having such shares registered in the name of the shareholder so that such shareholder may participate in the Plan).

If the Trustees of the Fund declare a dividend (including a capital gain dividend) payable either in shares or in cash, as holders of shares may have elected, then nonparticipants in the Plan will receive cash and participants in the Plan will receive the equivalent in shares valued as set forth below. Whenever a market price is equal to or exceeds net asset value at the time shares are valued for the purpose of determining the number of shares

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equivalent to the distribution, participants will be issued shares at the net asset value most recently determined as provided under "Net Asset Value" in the Fund's prospectus and its Statement of Additional Information, but in no event less than 95% of the market price. If the net asset value of the shares at such time exceeds the market price of shares at such time, or if the Fund should declare a dividend (including a capital gain dividend) payable only in cash, the Plan Agent will, as agent for the participants, use the cash that the shareholders would have received as a dividend to buy shares in the open market, the American Stock Exchange or elsewhere, for the participants' accounts. If, before the Plan Agent has completed its purchases, the market price exceeds the net asset value of the shares, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the shares, resulting in the acquisition of fewer shares than if the dividend (including a capital gain dividend) had been paid in shares issued by the Fund. The Plan Agent will apply all cash received as a dividend (including a capital gain dividend) to purchase shares on the open market as soon as practicable after the payment date of such dividend, but in no event later than 30 days after such date, except where necessary to comply with applicable provisions of the federal securities laws.

There is no charge to participants for reinvesting dividends (including capital gain dividends). The Plan Agent's fees for handling the reinvestment of dividends (including capital gain dividends) will be paid by the Fund. There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in stock or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends (including capital gain dividends).

The automatic reinvestment of dividends (including capital gain dividends) will not relieve participants of any income tax which may be payable on such dividends. The amount of the dividend for tax purposes may vary depending on whether the Fund issues new Common Shares or purchases them on the open market.

The Plan may be amended or terminated on 30 days' written notice to Plan participants. Contact the Plan Agent for additional information regarding the Plan. All correspondence concerning the Plan should be directed to Computershare by mail at P.O. Box 43010, Providence, RI 02940-3010, or by phone at 1-800-730-6001.

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[LOGO]

Transfer Agent

Important Information About This Report

The Transfer Agent for Colonial California Insured Municipal Fund is:

Computershare

P.O. Box 43010

Providence, RI 02940-3010

The fund mails one shareholder report to each shareholder address. Shareholders can order additional reports by calling 800-730-6001. In addition, representatives at that number can provide shareholders information about the fund.

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Financial advisors who want additional information about the fund may speak to a representative at 800-426-3750.

A description of the fund's proxy voting policies and procedures is available (i) at [www.columbiamanagement.com](http://www.columbiamanagement.com); (ii) on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov), and (iii) without charge, upon request, by calling 800-730-6001. Information regarding how the fund voted proxies relating to portfolio securities during the 12-month period ended June 30 is available from the SEC's website. Information regarding how the fund voted proxies relating to portfolio securities is also available at [www.columbiamanagement.com](http://www.columbiamanagement.com).

The fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

This report has been prepared for shareholders of Colonial California Insured Municipal Fund.

[GRAPHIC]

COLONIAL CALIFORNIA INSURED MUNICIPAL FUND

SEMIANNUAL REPORT

SHC- 44/111526-0506 (07/06) 06/26841

Item 2. Code of Ethics.

Not applicable at this time.

Item 3. Audit Committee Financial Expert.

Not applicable at this time.

Item 4. Principal Accountant Fees and Services.

Not applicable at this time.

Item 5. Audit Committee of Listed Registrants.

Not applicable.

Item 6. Schedule of Investments

The registrant's "Schedule I - Investments in securities of unaffiliated issuers" (as set forth in 17 CFR 210.12-12) is included in Item 1 of this Form N-CSR.

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

Not applicable.

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

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Not applicable.

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

| Registrant Purchases of Equity Securities* |   |   |  |   |
|--|---|---|--|---|
| Period                                     | (a)<br>Total Number<br>of Shares<br>Purchased | (b)<br>Average<br>Price Paid<br>Per Share | (c)  | (d)   |
|  |   |   | Total Number of<br>Shares Purchased as<br>Part of Publicly<br>Announced Plans<br>or Programs | Maximum Number of<br>Shares that May Yet<br>Be Purchased Under<br>the Plans or Programs |
| 12/01/05 through 12/31/05...               | 85  | \$14.29                                   | 85   | N/A   |
| 01/01/06 through 01/31/06...               | 81  | \$14.05                                   | 81   | N/A   |
| 02/01/06 through 02/28/06...               | 79  | \$13.93                                   | 79   | N/A   |
| 03/01/06 through 03/31/06...               | 76  | \$14.15                                   | 76   | N/A   |
| 04/01/06 through 04/30/06...               | 110   | \$14.09                                   | 110  | N/A   |
| 05/01/06 through 05/31/06...               | 82  | \$14.25                                   | 82   | N/A   |
|  | ---   | -----                                     | ---  | ---   |
| Total.....                                 | 513   | \$14.13                                   | 513  | N/A   |
|  | ---   | -----                                     | ---  | ---   |

\* Includes shares purchased by the Dividend Reinvestment Agent pursuant to the Registrant's Dividend Reinvestment Plan.

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

There have not been any material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors, since those procedures were last disclosed in response to the requirements of Item 7(d) (2) (ii) (G) of Schedule 14A or this Item.

Item 11. Controls and Procedures.

(a) The registrant's principal executive officer and principal financial officers, based on their evaluation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing of this report, have concluded that such controls and procedures are adequately designed to ensure that information required to be disclosed by the registrant in Form N-CSR is accumulated and communicated to the registrant's management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

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Item 12. Exhibits.

(a) (1) Code of ethics required to be disclosed under Item 2 of Form N-CSR: Not applicable at this time.

(a) (2) Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) attached hereto as Exhibit 99.CERT.

(a) (3) Not applicable.

(b) Certification pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 (17 CFR 270.30a-2(b)) attached hereto 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.

(registrant) Colonial California Insured Municipal Fund  
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By (Signature and Title) /S/ Christopher L. Wilson  
-----  
Christopher L. Wilson, President

Date July 27, 2006  
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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.

By (Signature and Title) /S/ Christopher L. Wilson  
-----  
Christopher L. Wilson, President

Date July 27, 2006  
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By (Signature and Title) /S/ J. Kevin Connaughton  
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J. Kevin Connaughton, Treasurer

Date July 27, 2006  
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