

DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND II INC
Form N-CSR/A
August 08, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR/A

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number: 811-7420

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

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

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

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

Date of fiscal year end: March 31

Date of reporting period: March 31, 2008

Item 1. Reports to Stockholders

Annual Report

Delaware
Investments
Closed-End
Municipal Bond

Funds

March 31, 2008

Closed-end funds

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

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

Portfolio management review

Delaware Investments Closed-End Municipal Bond Funds

April 8, 2008

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

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

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

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

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

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

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

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

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

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

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

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

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Portfolio management review

Delaware Investments Closed-End Municipal Bond Funds

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

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

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

How did the technical environment change during the year?

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

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

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

Delaware Investments Arizona Municipal Income Fund, Inc.

What conditions prevailed in the Arizona economy?

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

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

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

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

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

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

How did you position the Fund?

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

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

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

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

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

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

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

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Portfolio management review

Delaware Investments Closed-End Municipal Bond Funds

Delaware Investments Colorado Municipal Income Fund, Inc.

What conditions prevailed in the Colorado economy?

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

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

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

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

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

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

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

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

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

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

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

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

Delaware Investments Minnesota Municipal Income Fund II, Inc.

What conditions prevailed in the Minnesota economy?

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

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

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

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

How did you position the Fund?

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

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

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

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

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

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Portfolio management review

Delaware Investments Closed-End Municipal Bond Funds

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

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

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

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

Delaware Investments National Municipal Income Fund

How was the Fund positioned differently during this fiscal year?

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

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

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

How did you position the Fund?

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

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

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

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

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

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

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

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Fund basics

**Delaware Investments
Arizona Municipal Income Fund, Inc.**

As of March 31, 2008

Fund objective

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

Total Fund net assets

\$41.3 million

Number of holdings

61

Fund start date

Feb. 26, 1993

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

As of March 31, 2008

Fund objective

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

Total Fund net assets

\$69.0 million

Number of holdings

59

Fund start date

July 29, 1993

**Delaware Investments
Minnesota Municipal Income Fund II, Inc.**

As of March 31, 2008

Fund objective

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

Total Fund net assets

\$163.3 million

Number of holdings

127

Fund start date

Feb. 26, 1993

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

As of March 31, 2008

Fund objective

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

Total Fund net assets

\$32.4 million

Number of holdings

45

Fund start date

Feb. 26, 1993

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Sector/State allocations and credit quality breakdowns

As of March 31, 2008

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

**Delaware Investments
Arizona Municipal Income Fund, Inc.**

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

Credit Quality Breakdown

(as a % of fixed income investments)

AAA	57.70%
AA	23.28%
A	5.72%
BBB	13.30%
Total	100.00%

Delaware Investments
Colorado Municipal Income Fund, Inc.

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

Credit Quality Breakdown

(as a % of fixed income investments)

AAA	81.46%
AA	8.30%
A	10.24%
Total	100.00%

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

Delaware Investments
Minnesota Municipal Income Fund II, Inc.

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

Credit Quality Breakdown

(as a % of fixed income investments)

AAA	53.94%
AA	14.09%

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

Delaware Investments National Municipal Income Fund

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

State

(as a % of fixed income investments)

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

Credit Quality Breakdown

(as a % of fixed income investments)

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

Statements of net assets

Delaware Investments Arizona Municipal Income Fund, Inc.

March 31, 2008

Principal

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

Maricopa County Industrial		
Development Authority Revenue		
(Catholic Healthcare West) Series A		
5.25% 7/1/32	400,000	386,920
5.50% 7/1/26	430,000	435,513
Show Low Industrial Development		
Authority Hospital Revenue		
(Navapache Regional		
Medical Center) Series A		
5.50% 12/1/17 (ACA)	1,600,000	1,606,304
University Medical Center		
Hospital Revenue		
5.00% 7/1/33	1,000,000	883,700
5.00% 7/1/35	500,000	438,710
Yavapai County Industrial Development		
Authority Revenue (Yavapai		
Regional Medical Center)		
Series A 5.25% 8/1/21 (RADIAN)	2,000,000	2,013,700
		7,045,202
Housing Revenue Bonds □ 2.14%		
Phoenix Industrial Development		
Authority Single Family		
Statewide Revenue		
Series A 5.35% 6/1/20 (GNMA)		
(FNMA) (FHLMC) (AMT)	450,000	451,328
Series C 5.30% 4/1/20 (GNMA)		
(FNMA) (FHLMC) (AMT)	370,000	375,583
Pima County Industrial Development		
Authority Single Family Mortgage		
Revenue Series A-1		
6.125% 11/1/33 (GNMA)		
(FNMA) (FHLMC) (AMT)	55,000	55,793
		882,704
Lease Revenue Bonds □ 6.45%		
Arizona Game & Fishing Department		