

DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC

Form N-CSR

December 01, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

Investment Company Act file number: 811-07938

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

Address of principal executive offices:

2005 Market Street  
Philadelphia, PA 19103

Name and address of agent for service:

Richelle S. Maestro, Esq.  
2005 Market Street  
Philadelphia, PA 19103

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

Date of fiscal year end: March 31

Date of reporting period: September 30, 2004

Item 1. Reports to Stockholders

The Registrant's shareholder report is combined with the shareholder reports of other investment company registrants. This Form N-CSR pertains to the information of the Delaware Investments Minnesota Municipal Income Fund, Inc. III, which is included in the following shareholder report.

Delaware  
Investments (SM)

-----  
A member of Lincoln Financial Group(R)

CLOSED END

Semiannual Report SEPTEMBER 30, 2004

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DELAWARE INVESTMENTS CLOSED-END  
MUNICIPAL BOND FUNDS

[LOGO] POWERED BY RESEARCH. (SM)

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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.

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#### DIVIDEND REINVESTMENT PLANS

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

Under the current policies of Arizona Municipal Income Fund, Florida Insured Municipal Income Fund, Minnesota Municipal Income Fund, and Minnesota Municipal Income Fund II, all distributions of net investment income and capital gains to common stock shareholders are automatically reinvested in additional shares unless shareholders elect to receive all dividends and other distributions in cash paid by check mailed directly to shareholders by the dividend plan agent. Under the current policies of Colorado Insured Municipal Income Fund and Minnesota Municipal Income Fund III, distributions of net investment income and capital gains to common shareholders will be paid in cash unless shareholders notify Mellon Investor Services, L.L.C. of their desire to participate in the dividend reinvestment program.

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

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

#### SECTOR ALLOCATION

As of September 30, 2004

DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND

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

requirement.

| SECTOR  | PERCENTAGE<br>OF NET ASSETS |
|---|-----------------------------|
| MUNICIPAL BONDS                                 | 151.56%                     |
| Airport Revenue Bonds                           | 7.43%                       |
| City General Obligation Bonds                   | 4.02%                       |
| Corporate Backed Revenue Bonds                  | 4.37%                       |
| Escrowed to Maturity Bonds                      | 13.52%                      |
| Higher Education Revenue Bonds                  | 5.72%                       |
| Hospital Revenue Bonds                          | 19.35%                      |
| Miscellaneous Revenue Bonds                     | 7.10%                       |
| Multifamily Housing Revenue Bonds               | 6.02%                       |
| Municipal Lease Revenue Bonds                   | 4.49%                       |
| Parking Revenue Bonds                           | 1.80%                       |
| Political Subdivision General Obligation Bonds  | 8.82%                       |
| Pre-Refunded Bonds                              | 10.73%                      |
| Public Power Revenue Bonds                      | 30.79%                      |
| School District General Obligation Bonds        | 15.54%                      |
| Single Family Housing Revenue Bonds             | 2.60%                       |
| State General Obligation Bonds                  | 2.79%                       |
| Tax Increment/Special Assessment Bonds          | 1.39%                       |
| Territorial Revenue Bonds                       | 2.26%                       |
| Variable Rate Demand Notes                      | 2.82%                       |
| TOTAL MARKET VALUE OF SECURITIES                | 151.56%                     |
| RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES | 0.49%                       |
| LIQUIDATION VALUE OF PREFERRED STOCK            | (52.05%)                    |
| TOTAL NET ASSETS                                | 100.00%                     |

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SECTOR ALLOCATION As of September 30, 2004  
 DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND II

The following chart lists the Fund's categories of portfolio holdings as a percent of total net assets.

| SECTOR                                   | PERCENTAGE<br>OF NET ASSETS |
|--|-----------------------------|
| MUNICIPAL BONDS                          | 152.79%                     |
| Airport Revenue Bonds                    | 7.91%                       |
| City General Obligation Bonds            | 3.75%                       |
| Continuing Care/Retirement Revenue Bonds | 2.28%                       |
| Corporate Backed Revenue Bonds           | 5.45%                       |
| Escrowed to Maturity Bonds               | 22.38%                      |

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|   |          |
|---|----------|
| Higher Education Revenue Bonds                  | 10.12%   |
| Hospital Revenue Bonds                          | 25.51%   |
| Miscellaneous Revenue Bonds                     | 3.74%    |
| Multifamily Housing Revenue Bonds               | 10.05%   |
| Municipal Lease Revenue Bonds                   | 11.01%   |
| Parking Revenue Bonds                           | 1.21%    |
| Political Subdivision General Obligation Bonds  | 6.59%    |
| Pre-Refunded Bonds                              | 9.00%    |
| Public Power Revenue Bonds                      | 11.92%   |
| School District General Obligation Bonds        | 9.29%    |
| Single Family Housing Revenue Bonds             | 2.65%    |
| State General Obligation Bonds                  | 4.06%    |
| Tax Increment/Special Assessment Bonds          | 0.49%    |
| Territorial General Obligation Bonds            | 1.08%    |
| Territorial Revenue Bonds                       | 1.61%    |
| Variable Rate Demand Notes                      | 2.69%    |
| -----   |          |
| TOTAL MARKET VALUE OF SECURITIES                | 152.79%  |
| -----   |          |
| RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES | 2.00%    |
| -----   |          |
| LIQUIDATION VALUE OF PREFERRED STOCK            | (54.79%) |
| -----   |          |
| TOTAL NET ASSETS                                | 100.00%  |
| -----   |          |

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SECTOR ALLOCATION As of September 30, 2004  
 DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III

The following chart lists the Fund's categories of portfolio holdings as a percent of total net assets.

| SECTOR   | PERCENTAGE<br>OF NET ASSETS |
|--|-----------------------------|
| -----  |                             |
| MUNICIPAL BONDS                                | 156.00%                     |
| -----  |                             |
| Airport Revenue Bonds                          | 9.41%                       |
| City General Obligation Bonds                  | 4.91%                       |
| Corporate Backed Revenue Bonds                 | 7.41%                       |
| Escrowed to Maturity Bonds                     | 12.31%                      |
| Higher Education Revenue Bonds                 | 5.15%                       |
| Hospital Revenue Bonds                         | 30.05%                      |
| Miscellaneous Revenue Bonds                    | 1.01%                       |
| Multifamily Housing Revenue Bonds              | 15.34%                      |
| Municipal Lease Revenue Bonds                  | 9.91%                       |
| Parking Revenue Bonds                          | 5.88%                       |
| Political Subdivision General Obligation Bonds | 9.63%                       |
| Pre-Refunded Bonds                             | 9.98%                       |

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|   |          |
|---|----------|
| Public Power Revenue Bonds                      | 20.15%   |
| Single Family Housing Revenue Bonds             | 2.51%    |
| Territorial General Obligation Bonds            | 1.96%    |
| Variable Rate Demand Notes                      | 1.62%    |
| Water & Sewer Revenue Bonds                     | 8.77%    |
| -----   |          |
| TOTAL MARKET VALUE OF SECURITIES                | 156.00%  |
| -----   |          |
| RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES | 1.35%    |
| -----   |          |
| LIQUIDATION VALUE OF PREFERRED STOCK            | (57.35%) |
| -----   |          |
| TOTAL NET ASSETS                                | 100.00%  |
| -----   |          |

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SECTOR ALLOCATION As of September 30, 2004  
 DELAWARE INVESTMENTS ARIZONA MUNICIPAL INCOME FUND

The following chart lists the Fund's categories of portfolio holdings as a percent of total net assets.

| SECTOR   | PERCENTAGE<br>OF NET ASSETS |
|--|-----------------------------|
| -----  |                             |
| MUNICIPAL BONDS                                  | 152.06%                     |
| -----  |                             |
| Airport Revenue Bonds                            | 6.79%                       |
| City General Obligation Bonds                    | 1.14%                       |
| Continuing Care/Retirement Revenue Bonds         | 3.48%                       |
| Convention Center/Auditorium/Hotel Revenue Bonds | 2.25%                       |
| Dedicated Tax & Fees Revenue Bonds               | 6.76%                       |
| Escrowed to Maturity Bonds                       | 10.72%                      |
| Higher Education Revenue Bonds                   | 8.45%                       |
| Hospital Revenue Bonds                           | 18.81%                      |
| Miscellaneous Revenue Bonds                      | 8.27%                       |
| Multifamily Housing Revenue Bonds                | 3.91%                       |
| Municipal Lease Revenue Bonds                    | 10.78%                      |
| Political Subdivision General Obligation Bonds   | 3.57%                       |
| Pre-Refunded Bonds                               | 13.15%                      |
| Public Power Revenue Bonds                       | 2.26%                       |
| School District General Obligation Bonds         | 17.58%                      |
| Single Family Housing Revenue Bonds              | 5.52%                       |
| Territorial Revenue Bonds                        | 23.30%                      |
| Water & Sewer Revenue Bonds                      | 5.32%                       |
| -----  |                             |
| TOTAL MARKET VALUE OF SECURITIES                 | 152.06%                     |
| -----  |                             |
| RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES  | 3.01%                       |
| -----  |                             |

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|                                      |          |
|--------------------------------------|----------|
| LIQUIDATION VALUE OF PREFERRED STOCK | (55.07%) |
| -----                                |          |
| TOTAL NET ASSETS                     | 100.00%  |
| -----                                |          |

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SECTOR ALLOCATION As of September 30, 2004  
 DELAWARE INVESTMENTS FLORIDA INSURED MUNICIPAL INCOME FUND

The following chart lists the Fund's categories of portfolio holdings as a percent of total net assets.

| SECTOR  | PERCENTAGE<br>OF NET ASSETS |
|---|-----------------------------|
| -----   |                             |
| Municipal Bonds                                 | 150.09%                     |
| -----   |                             |
| Airport Revenue Bonds                           | 2.79%                       |
| Dedicated Tax & Fees Revenue Bonds              | 24.67%                      |
| Higher Education Revenue Bonds                  | 7.68%                       |
| Hospital Revenue Bonds                          | 21.57%                      |
| Multifamily Housing Revenue Bonds               | 22.87%                      |
| Municipal Lease Revenue Bonds                   | 23.93%                      |
| Ports & Harbors Revenue Bonds                   | 2.68%                       |
| Pre-Refunded Bonds                              | 22.01%                      |
| Public Power Revenue Bonds                      | 5.28%                       |
| State General Obligation Bonds                  | 6.00%                       |
| Tax Increment/Special Assessment Bonds          | 0.79%                       |
| Water & Sewer Revenue Bonds                     | 9.82%                       |
| -----   |                             |
| TOTAL MARKET VALUE OF SECURITIES                | 150.09%                     |
| -----   |                             |
| RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES | 2.15%                       |
| -----   |                             |
| LIQUIDATION VALUE OF PREFERRED STOCK            | (52.24%)                    |
| -----   |                             |
| TOTAL NET ASSETS                                | 100.00%                     |
| -----   |                             |

SECTOR ALLOCATION As of September 30, 2004  
 DELAWARE INVESTMENTS COLORADO INSURED MUNICIPAL INCOME FUND

The following chart lists the Fund's categories of portfolio holdings as a percent of total net assets.

| SECTOR   | PERCENTAGE<br>OF NET ASSETS |
|--|-----------------------------|
| MUNICIPAL BONDS                                  | 150.42%                     |
| Airport Revenue Bonds                            | 10.41%                      |
| City General Obligation Bonds                    | 2.67%                       |
| Continuing Care/Retirement Revenue Bonds         | 3.48%                       |
| Convention Center/Auditorium/Hotel Revenue Bonds | 3.98%                       |
| Dedicated Tax & Fees Revenue Bonds               | 11.30%                      |
| Higher Education Revenue Bonds                   | 32.64%                      |
| Hospital Revenue Bonds                           | 4.50%                       |
| Multifamily Housing Revenue Bonds                | 5.78%                       |
| Municipal Lease Revenue Bonds                    | 17.68%                      |
| Parking Revenue Bonds                            | 3.50%                       |
| Political Subdivision General Obligation Bonds   | 8.22%                       |
| Pre-Refunded Bonds                               | 14.02%                      |
| School District General Obligation Bonds         | 9.09%                       |
| Turnpike/Toll Road Revenue Bonds                 | 13.52%                      |
| Water & Sewer Revenue Bonds                      | 9.63%                       |
| TOTAL MARKET VALUE OF SECURITIES                 | 150.42%                     |
| RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES  | 1.76%                       |
| LIQUIDATION VALUE OF PREFERRED STOCK             | (52.18%)                    |
| TOTAL NET ASSETS                                 | 100.00%                     |



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OF NET ASSETS

|   | Principal<br>Amount | Market<br>Value |
|---|---------------------|-----------------|
| MUNICIPAL BONDS - 151.56%                   |                     |                 |
| Airport Revenue Bonds - 7.43%               |                     |                 |
| Minneapolis/St. Paul Metropolitan Airports  |                     |                 |
| Commission Revenue                          |                     |                 |
| Series A 5.00% 1/1/30 (AMBAC)               | \$ 250,000          | \$ 253,380      |
| Series C 5.25% 1/1/32 (FGIC)                | 2,500,000           | 2,602,675       |
|   |                     | -----           |
|   |                     | 2,856,055       |
|   |                     | -----           |
| City General Obligation Bonds - 4.02%       |                     |                 |
| Metropolitan Council Minnesota              |                     |                 |
| (Minneapolis/St. Paul Metropolitan Area)    |                     |                 |
| Series C 5.00% 2/1/22                       | 500,000             | 521,600         |
| Willmar (Rice Memorial Hospital Project)    |                     |                 |
| 5.00% 2/1/32 (FSA)                          | 1,000,000           | 1,023,480       |
|   |                     | -----           |
|   |                     | 1,545,080       |
|   |                     | -----           |
| Corporate Backed Revenue Bonds - 4.37%      |                     |                 |
| Anoka County Solid Waste Disposal           |                     |                 |
| National Rural Co-Op Utility (United        |                     |                 |
| Power Association) Series A                 |                     |                 |
| 6.95% 12/1/08 (CFC) (AMT)                   | 675,000             | 680,103         |
| Sartell Environmental Improvement           |                     |                 |
| Revenue (International Paper)               |                     |                 |
| Series A 5.20% 6/1/27                       | 1,000,000           | 997,280         |
|   |                     | -----           |
|   |                     | 1,677,383       |
|   |                     | -----           |
| Escrowed to Maturity Bonds - 13.52%         |                     |                 |
| Dakota/Washington Counties Housing &        |                     |                 |
| Redevelopment Authority Bloomington         |                     |                 |
| Single Family Residential Mortgage          |                     |                 |
| Revenue 8.375% 9/1/21                       |                     |                 |
| (GNMA) (FHA) (AMT)                          | 2,555,000           | 3,779,101       |
| Southern Minnesota Municipal Power          |                     |                 |
| Agency Series B                             |                     |                 |
| 5.50% 1/1/15 (AMBAC)                        | 390,000             | 399,430         |
| 5.75% 1/1/11 (FGIC)                         | 1,000,000           | 1,017,520       |
|   |                     | -----           |
|   |                     | 5,196,051       |
|   |                     | -----           |
| Higher Education Revenue Bonds - 5.72%      |                     |                 |
| Minnesota State Higher Education Facilities |                     |                 |
| Authority (College of St. Benedict)         |                     |                 |
| Series 5-W 5.00% 3/1/20                     | 1,000,000           | 1,034,330       |
| University of Minnesota Series A            |                     |                 |
| 5.50% 7/1/21                                | 1,000,000           | 1,163,740       |
|   |                     | -----           |
|   |                     | 2,198,070       |
|   |                     | -----           |
| Hospital Revenue Bonds - 19.35%             |                     |                 |
| Bemidji Hospital Facilities Revenue         |                     |                 |

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|   |                     |                             |
|---|---------------------|-----------------------------|
| (North Country Health Services)<br>5.00% 9/1/24 (RADIAN)  | 1,000,000           | 1,031,620                   |
| Duluth Economic Development Authority<br>Health Care Facilities Revenue<br>Benedictine Health System<br>(St. Mary's Hospital) 5.25% 2/15/33   | 1,250,000           | 1,254,975                   |
| Minneapolis Health Care System Revenue<br>(Allina Health Systems)<br>Series A 5.75% 11/15/32  | 1,100,000           | 1,148,939                   |
| Minnesota Agricultural & Economic<br>Development Health Care System<br>(Fairview Hospital)<br>Series A 6.375% 11/15/29                        | 1,750,000           | 1,894,672                   |
| Shakopee Health Care Facilities Revenue<br>(St. Francis Regional Medical Center)<br>5.25% 9/1/34  | 500,000             | 493,510                     |
|   | Principal<br>Amount | Market<br>Value             |
| MUNICIPAL BONDS (continued)   |                     |                             |
| Hospital Revenue Bonds (continued)  |                     |                             |
| St. Paul Housing & Redevelopment<br>Authority Health Care<br>Facilities Revenue<br>(Franciscan Health Project)<br>5.40% 11/20/42 (GNMA) (FHA) | \$ 880,000          | \$ 911,337                  |
| (Regions Hospital Project)<br>5.30% 5/15/28   | 700,000             | 700,553                     |
|   |                     | -----<br>7,435,606<br>----- |
| Miscellaneous Revenue Bonds - 7.10%   |                     |                             |
| Minneapolis Art Center Facilities<br>Revenue (Walker Art Center Project)<br>5.125% 7/1/21   | 1,600,000           | 1,684,880                   |
| Minneapolis Community Development<br>Agency Supported<br>Series G-3 5.45% 12/1/31   | 1,000,000           | 1,041,670                   |
|   |                     | -----<br>2,726,550<br>----- |
| Multifamily Housing Revenue Bonds - 6.02%   |                     |                             |
| Minneapolis Multifamily Housing<br>Revenue (Seward Towers Project)<br>5.00% 5/20/36 (GNMA)  | 1,000,000           | 1,017,950                   |
| Southeastern Minnesota Multi County<br>Housing & Redevelopment Authority<br>(Winona County) 5.35% 1/1/28                                      | 300,000             | 303,153                     |
| Washington County Housing &<br>Redevelopment Authority Revenue<br>(Woodland Park Apartments Project)<br>4.70% 10/1/32                         | 1,000,000           | 993,220                     |
|   |                     | -----<br>2,314,323<br>----- |

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|   |           |           |
|---|-----------|-----------|
| Municipal Lease Revenue Bonds - 4.49%   |           |           |
| St. Paul Port Authority Lease Revenue<br>(Cedar Street Office Building Project)                                     |           |           |
| 5.125% 12/1/27  | 500,000   | 520,070   |
| 5.25% 12/1/27   | 1,150,000 | 1,205,465 |
|   |           | -----     |
|   |           | 1,725,535 |
|   |           | -----     |
| Parking Revenue Bonds - 1.80%   |           |           |
| St. Paul Housing & Redevelopment<br>Authority Parking Revenue<br>(Block 19 Ramp Project)                            |           |           |
| Series A 5.35% 8/1/29 (FSA)   | 650,000   | 689,657   |
|   |           | -----     |
|   |           | 689,657   |
|   |           | -----     |
| Political Subdivision General Obligation Bonds - 8.82%  |           |           |
| Hennepin County Series B 5.00% 12/1/18  | 1,300,000 | 1,412,034 |
| Washington County Housing &<br>Redevelopment Authority Series B   |           |           |
| 5.50% 2/1/22 (MBIA)   | 855,000   | 922,536   |
| 5.50% 2/1/32 (MBIA)   | 1,000,000 | 1,055,050 |
|   |           | -----     |
|   |           | 3,389,620 |
|   |           | -----     |
| *Pre-Refunded Bonds - 10.73%  |           |           |
| Duluth Economic Development Authority<br>Health Care Facilities Revenue (Duluth<br>Clinic) 6.30% 11/1/22-04 (AMBAC) | 730,000   | 732,971   |
| Puerto Rico Commonwealth<br>6.00% 7/1/26-07   | 1,000,000 | 1,121,210 |
| Puerto Rico Public Buildings Authority<br>Series D 5.25% 7/1/27-12  | 845,000   | 948,563   |
| St. Francis Independent School District #15<br>Series A 6.30% 2/1/11-06 (FSA)                                       | 1,250,000 | 1,320,838 |
|   |           | -----     |
|   |           | 4,123,582 |
|   |           | -----     |

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

|   | Principal<br>Amount | Market<br>Value |
|---|---------------------|-----------------|
| MUNICIPAL BONDS (continued)                       |                     |                 |
| Public Power Revenue Bonds - 30.79%               |                     |                 |
| Chaska Electric Revenue<br>Series A 6.00% 10/1/25 | \$1,000,000         | \$ 1,070,820    |

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|   |           |            |
|---|-----------|------------|
| Minnesota State Municipal Power                   |           |            |
| Agency 5.25% 10/1/19                              | 1,110,000 | 1,200,620  |
| Rochester Electric Utility Revenue                |           |            |
| 5.25% 12/1/30 (AMBAC)                             | 150,000   | 156,947    |
| **Southern Minnesota Municipal Power              |           |            |
| Agency Supply System Revenue, Inverse             |           |            |
| Floater Series A 8.688% 1/1/14 (AMBAC)            | 2,500,000 | 3,150,375  |
| Southern Minnesota Municipal Power                |           |            |
| Agency Supply System Revenue Series A             |           |            |
| 5.00% 1/1/12 (AMBAC)                              | 1,000,000 | 1,112,560  |
| 5.00% 1/1/13 (MBIA)                               | 500,000   | 555,790    |
| 5.25% 1/1/15 (AMBAC)                              | 570,000   | 648,170    |
| 5.25% 1/1/16 (AMBAC)                              | 1,000,000 | 1,139,080  |
| Western Minnesota Municipal Power Agency          |           |            |
| Series A 5.00% 1/1/30 (MBIA)                      | 1,900,000 | 1,945,676  |
| Series B 5.00% 1/1/15 (MBIA)                      | 765,000   | 849,517    |
|   |           | -----      |
|   |           | 11,829,555 |
|   |           | -----      |
| School District General Obligation Bonds - 15.54% |           |            |
| Centennial Independent School                     |           |            |
| District #012 Series 2002A                        |           |            |
| 5.00% 2/1/20 (FSA)                                | 400,000   | 424,020    |
| Farmington Independent School                     |           |            |
| District #192 5.00% 2/1/23 (FSA)                  | 1,200,000 | 1,254,227  |
| Minneapolis Special School District #001          |           |            |
| 5.00% 2/1/19 (FSA)                                | 675,000   | 724,640    |
| Morris Independent School District #769           |           |            |
| 5.00% 2/1/28 (MBIA)                               | 1,000,000 | 1,030,940  |
| Mounds View Independent School                    |           |            |
| District #621 5.00% 2/1/23 (FSA)                  | 1,020,000 | 1,071,347  |
| Robbinsdale Independent School                    |           |            |
| District #281 5.00% 2/1/21 (FSA)                  | 500,000   | 527,100    |
| St. Michael Independent School                    |           |            |
| District #885                                     |           |            |
| 5.00% 2/1/22 (FSA)                                | 500,000   | 524,520    |
| 5.00% 2/1/24 (FSA)                                | 400,000   | 415,520    |
|   |           | -----      |
|   |           | 5,972,314  |
|   |           | -----      |
| Single Family Housing Revenue Bonds - 2.60%       |           |            |
| Dakota County Housing & Redevelopment             |           |            |
| Authority Single Family Mortgage                  |           |            |
| Revenue 5.85% 10/1/30                             |           |            |
| (GNMA) (FNMA) (AMT)                               | 54,000    | 55,497     |
| Minnesota State Housing Finance Agency            |           |            |
| Single Family Mortgage Series J                   |           |            |
| 5.90% 7/1/28 (AMT)                                | 910,000   | 942,797    |
|   |           | -----      |
|   |           | 998,294    |
|   |           | -----      |
| State General Obligation Bonds - 2.79%            |           |            |
| Minnesota State 5.00% 8/1/21                      | 1,000,000 | 1,072,140  |
|   |           | -----      |
|   |           | 1,072,140  |
|   |           | -----      |
| Tax Increment/Special Assessment Bonds - 1.39%    |           |            |
| Moorhead Economic Development                     |           |            |
| Authority Tax Increment Series A                  |           |            |
| 5.25% 2/1/25 (MBIA)                               | 500,000   | 535,630    |
|   |           | -----      |
|   |           | 535,630    |

|   | Principal<br>Amount | Market<br>Value |
|---|---------------------|-----------------|
| -----   |                     |                 |
| MUNICIPAL BONDS (continued)   |                     |                 |
| Territorial Revenue Bonds - 2.26%   |                     |                 |
| Puerto Rico Commonwealth Highway &<br>Transportation Authority Revenue<br>Series A 5.00% 7/1/38 |                     |                 |
|   | \$ 300,000          | \$ 301,467      |
| Series G 5.00% 7/1/42   |                     |                 |
|   | 250,000             | 250,685         |
| Puerto Rico Public Buildings Authority<br>Revenue Series D                                      |                     |                 |
| (Unrefunded Balance) 5.25% 7/1/27   |                     |                 |
|   | 305,000             | 316,977         |
| -----   |                     |                 |
|   |                     | 869,129         |
| -----   |                     |                 |
| Variable Rate Demand Notes - 2.82%  |                     |                 |
| Minneapolis Library 1.56% 12/1/32   |                     |                 |
|   | 700,000             | 700,000         |
| Minnesota State Higher Education<br>Facilities Authority (Carleton College)                     |                     |                 |
| Series 5-G 1.56% 11/1/29  |                     |                 |
|   | 385,000             | 385,000         |
| -----   |                     |                 |
|   |                     | 1,085,000       |
| -----   |                     |                 |
| TOTAL MUNICIPAL BONDS (cost \$55,858,033)   |                     | 58,239,574      |
| -----   |                     |                 |
| TOTAL MARKET VALUE OF SECURITIES - 151.56%  |                     | 58,239,574      |
| (cost \$55,858,033)   |                     |                 |
| RECEIVABLES AND OTHER ASSETS  |                     |                 |
| NET OF LIABILITIES - 0.49%  |                     | 188,216         |
| LIQUIDATION VALUE OF PREFERRED STOCK - (52.05%)   |                     | (20,000,000)    |
| -----   |                     |                 |
| NET ASSETS APPLICABLE TO 2,594,700  |                     |                 |
| SHARES OUTSTANDING - 100.00%  |                     | \$ 38,427,790   |
| -----   |                     |                 |
| Net Asset Value Per Common Share<br>(\$38,427,790 / 2,594,700 Shares)                           |                     | \$14.81         |
| -----   |                     |                 |
| COMPONENTS OF NET ASSETS AT SEPTEMBER 30, 2004:   |                     |                 |
| Common stock, \$0.01 par value, 200 million shares<br>authorized to the Fund                    |                     | \$ 35,426,619   |
| Undistributed net investment income   |                     | 601,048         |
| Accumulated net realized gain on investments  |                     | 33,096          |
| Net unrealized appreciation of investments  |                     | 2,367,027       |
| -----   |                     |                 |
| Total net assets  |                     | \$ 38,427,790   |
| -----   |                     |                 |

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

\*\*An inverse floater bond is a type of bond with variable or floating interest

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rates that move in the opposite direction of short-term interest rates.  
Interest rate disclosed is in effect as of September 30, 2004.

SUMMARY OF ABBREVIATIONS:

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

See accompanying notes

STATEMENTS OF NET ASSETS (CONTINUED)  
 DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND II, INC.  
 September 30, 2004 (Unaudited)

|  | Principal<br>Amount | Market<br>Value |
|--|---------------------|-----------------|
| MUNICIPAL BONDS - 152.79%                        |                     |                 |
| Airport Revenue Bonds - 7.91%                    |                     |                 |
| Minneapolis/St. Paul Metropolitan Airports       |                     |                 |
| Commission Revenue Series A                      |                     |                 |
| 5.00% 1/1/28 (MBIA)                              | \$1,370,000         | \$ 1,406,237    |
| 5.00% 1/1/30 (AMBAC)                             | 1,450,000           | 1,469,604       |
| 5.25% 1/1/16 (MBIA)                              | 1,000,000           | 1,103,700       |
| Series B 5.25% 1/1/24 (FGIC) (AMT)               | 1,000,000           | 1,032,980       |
| Series C 5.25% 1/1/32 (FGIC)                     | 3,500,000           | 3,643,745       |
|  |                     | -----           |
|  |                     | 8,656,266       |
|  |                     | -----           |
| City General Obligation Bonds - 3.75%            |                     |                 |
| Metropolitan Council Minnesota                   |                     |                 |
| (Minneapolis/St. Paul Metropolitan Area)         |                     |                 |
| Series C 5.00% 2/1/22                            | 500,000             | 521,600         |
| Moorhead Series B 5.00% 2/1/33 (MBIA)            | 2,000,000           | 2,053,160       |
| Willmar (Rice Memorial Hospital Project)         |                     |                 |
| 5.00% 2/1/32 (FSA)                               | 1,500,000           | 1,535,220       |
|  |                     | -----           |
|  |                     | 4,109,980       |
|  |                     | -----           |
| Continuing Care/Retirement Revenue Bonds - 2.28% |                     |                 |
| Minneapolis Health Care Facility Revenue         |                     |                 |
| (Jones-Harrison Residence Project)               |                     |                 |
| 6.00% 10/1/27                                    | 1,565,000           | 1,494,309       |
| Moorhead Economic Development Authority          |                     |                 |
| Multifamily Revenue (Eventide Lutheran           |                     |                 |

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|  |           |            |
|--|-----------|------------|
| Home Project) Series B 6.00% 6/1/18  | 1,000,000 | 1,004,160  |
|  |           | -----      |
|  |           | 2,498,469  |
|  |           | -----      |
| Corporate Backed Revenue Bonds - 5.45%   |           |            |
| Burnsville Commonwealth Development<br>(Holiday Inn Project) 5.90% 4/1/08  | 1,430,000 | 1,413,240  |
| Cloquet Pollution Control Revenue<br>(Potlatch Corporation) 5.90% 10/1/26  | 4,500,000 | 4,552,605  |
|  |           | -----      |
|  |           | 5,965,845  |
|  |           | -----      |
| Escrowed to Maturity Bonds - 22.38%  |           |            |
| Dakota/Washington Counties Housing &<br>Redevelopment Authority Bloomington<br>Single Family Residential Mortgage<br>Revenue 8.375% 9/1/21<br>(GNMA) (FHA) (AMT) | 5,500,000 | 8,135,050  |
| Elk River Independent School District #728<br>5.00% 2/1/16 (FGIC)  | 1,500,000 | 1,651,035  |
| Metropolitan Council Minneapolis/St. Paul<br>Area Sports Facilities Revenue (Hubert H.<br>Humphrey Metrodome) 6.00% 10/1/09                                      | 2,360,000 | 2,395,896  |
| Southern Minnesota Municipal Power<br>Agency Supply Revenue<br>Series A 5.75% 1/1/18   | 3,715,000 | 3,811,739  |
| St. Paul Housing & Redevelopment<br>Authority Sales Tax (Civic Center Project)<br>5.55% 11/1/23 (MBIA)   | 4,200,000 | 4,297,986  |
| 5.55% 11/1/23  | 2,300,000 | 2,353,659  |
| Western Minnesota Municipal Power<br>Agency 6.625% 1/1/16  | 1,535,000 | 1,866,268  |
|  |           | -----      |
|  |           | 24,511,633 |
|  |           | -----      |

Principal  
Amount                      Market  
Value

MUNICIPAL BONDS (continued)

|   |             |              |
|---|-------------|--------------|
| Higher Education Revenue Bonds - 10.12%   |             |              |
| Minnesota State Higher Education<br>Facilities Authority<br>(College of St. Benedict)<br>Series 5-W 5.00% 3/1/20<br>(St. Catherine College) | \$1,000,000 | \$ 1,034,330 |
| Series 5-N1 5.375% 10/1/32<br>(St. Mary's University)   | 1,500,000   | 1,547,205    |
| Series 5-U 4.80% 10/1/23<br>(St. Thomas University)   | 1,400,000   | 1,401,526    |
| Series 4-A1 5.625% 10/1/21  | 1,000,000   | 1,027,100    |
| Series 5-Y 5.25% 10/1/34  | 1,500,000   | 1,545,075    |
| St. Cloud Housing & Redevelopment<br>Authority Revenue (State University<br>Foundation Project) 5.00% 5/1/23                                | 1,000,000   | 1,037,980    |

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|  |                        |                        |
|--|------------------------|------------------------|
| University of Minnesota Series A<br>5.50% 7/1/21   | 3,000,000              | 3,491,220              |
|  |                        | -----                  |
|  |                        | 11,084,436             |
|  |                        | -----                  |
| Hospital Revenue Bonds - 25.51%  |                        |                        |
| Brainerd Health Care (Evangelical Lutheran<br>Health Care Facilities)<br>Series A 6.65% 3/1/17 (FSA)   | 1,195,000              | 1,195,669              |
| Duluth Economic Development Authority<br>Health Care Facilities Revenue<br>Benedictine Health System<br>(St. Mary's Hospital) 5.25% 2/15/33                | 5,000,000              | 5,019,899              |
| Minneapolis Health Care System Revenue<br>(Allina Health Systems)<br>Series A 5.75% 11/15/32<br>(Fairview Health Services)<br>Series A 5.625% 5/15/32      | 1,000,000<br>2,750,000 | 1,044,490<br>2,864,290 |
| Minneapolis/St. Paul Housing &<br>Redevelopment Authority Health Care Systems<br>(Children's Health Care)<br>Series A 5.50% 8/15/25 (FSA)                  | 1,400,000              | 1,474,844              |
| Minnesota Agricultural & Economic<br>Development Health Care System<br>(Fairview Hospital)<br>Series A 6.375% 11/15/29<br>Series 97A 5.75% 11/15/26 (MBIA) | 3,300,000<br>5,550,000 | 3,572,811<br>6,078,970 |
| Rochester Health Care Facilities Revenue<br>(Mayo Foundation)<br>Series B 5.50% 11/15/27   | 3,365,000              | 3,567,539              |
| St. Louis Park Health Care Facilities Revenue<br>(Park Nicollet Health Services)<br>Series B 5.25% 7/1/30  | 1,250,000              | 1,263,688              |
| St. Paul Housing & Redevelopment<br>Authority Health Care Facilities Revenue<br>(Regions Hospital Project) 5.30% 5/15/28                                   | 300,000                | 300,237                |
| Waconia Health Care Facilities Revenue<br>(Ridgeview Medical Center Project)<br>Series A 6.10% 1/1/19 (RADIAN)   | 1,405,000              | 1,556,417              |
|  |                        | -----                  |
|  |                        | 27,938,854             |
|  |                        | -----                  |
| Miscellaneous Revenue Bonds - 3.74%  |                        |                        |
| Minneapolis Art Center Facilities Revenue<br>(Walker Art Center Project)<br>5.125% 7/1/21  | 2,400,000              | 2,527,320              |



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|  | Principal<br>Amount | Market<br>Value |
|--|---------------------|-----------------|
| MUNICIPAL BONDS (continued)                |                     |                 |
| Miscellaneous Revenue Bonds (continued)    |                     |                 |
| Minneapolis Community Development          |                     |                 |
| Agency (Supported Development              |                     |                 |
| Revenue Limited Tax Common Bond Fund)      |                     |                 |
| Series 5 5.70% 12/1/27                     | \$ 375,000          | \$ 382,391      |
| Series G1 5.70% 12/1/19                    | 1,100,000           | 1,184,964       |
|  |                     | -----           |
|  |                     | 4,094,675       |
|  |                     | -----           |
| Multifamily Housing Revenue Bonds - 10.05% |                     |                 |
| Chanhasen Multifamily Housing Revenue      |                     |                 |
| (Heritage Park Project Section 8)          |                     |                 |
| 6.20% 7/1/30 (FHA) (AMT)                   | 1,105,000           | 1,149,255       |
| Harmony Multifamily Housing Revenue        |                     |                 |
| Refunding Section 8                        |                     |                 |
| (Zedakah Foundation Project)               |                     |                 |
| Series A 5.95% 9/1/20                      | 1,000,000           | 858,510         |
| Minneapolis Multifamily Housing Revenue    |                     |                 |
| (Seward Towers Project)                    |                     |                 |
| 5.00% 5/20/36 (GNMA)                       | 1,000,000           | 1,017,950       |
| (Sumner Housing Project)                   |                     |                 |
| Series A 5.15% 2/20/45 (GNMA) (AMT)        | 3,575,000           | 3,620,581       |
| Minnesota State Housing Finance Agency     |                     |                 |
| Series A 5.00% 2/1/35                      |                     |                 |
| Series D 5.95% 2/1/18 (MBIA)               | 1,000,000           | 1,000,990       |
|  | 950,000             | 973,332         |
| Southeastern Minnesota Multi County        |                     |                 |
| Housing & Redevelopment Authority          |                     |                 |
| (Winona County) 5.35% 1/1/28               |                     |                 |
|  | 870,000             | 879,144         |
| Stillwater Multifamily Housing Revenue     |                     |                 |
| (Stillwater Cottages) (Orleans Homes       |                     |                 |
| Number One) 7.25% 11/1/27 (AMT)            |                     |                 |
|  | 1,540,000           | 1,505,319       |
|  |                     | -----           |
|  |                     | 11,005,081      |
|  |                     | -----           |
| Municipal Lease Revenue Bonds - 11.01%     |                     |                 |
| Andover Economic Development Authority     |                     |                 |
| Public Facilities Lease Revenue (Andover   |                     |                 |
| Community Center) 5.20% 2/1/29             |                     |                 |
|  | 1,000,000           | 1,010,470       |
| Minneapolis Development Revenue            |                     |                 |
| (Limited Tax Supported Common              |                     |                 |
| Bond Fund) 5.50% 12/1/24                   |                     |                 |
|  | 1,000,000           | 1,043,050       |
| St. Paul Port Authority Lease Revenue      |                     |                 |
| (Cedar Street Office Building Project)     |                     |                 |
| 5.00% 12/1/22                              | 2,385,000           | 2,494,662       |
| 5.25% 12/1/27                              | 2,650,000           | 2,777,810       |
| St. Paul Port Authority Lease Revenue      |                     |                 |
| (Robert Street Office Building Project)    |                     |                 |
| 5.00% 12/1/27                              | 2,545,000           | 2,619,136       |
| Series 9 5.25% 12/1/27                     | 2,000,000           | 2,104,820       |
|  |                     | -----           |
|  |                     | 12,049,948      |
|  |                     | -----           |
| Parking Revenue Bonds - 1.21%              |                     |                 |
| St. Paul Housing & Redevelopment           |                     |                 |
| Authority Parking Revenue                  |                     |                 |
| (Block 19 Ramp Project)                    |                     |                 |
| Series A 5.35% 8/1/29 (FSA)                | 1,250,000           | 1,326,263       |
|  |                     | -----           |

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|  |             |              |
|--|-------------|--------------|
|  |             | 1,326,263    |
|  |             | -----        |
| Political Subdivision General Obligation Bonds - 6.59%     |             |              |
| Hennepin County Series B 5.00% 12/1/18                     | 1,000,000   | 1,086,180    |
| Hennepin Regional Railroad Authority                       |             |              |
| 5.00% 12/1/26  | 3,500,000   | 3,592,190    |
| Metropolitan Council Waste Water                           |             |              |
| Treatment Series B 5.00% 12/1/21                           | 1,250,000   | 1,340,025    |
|  | Principal   | Market       |
|  | Amount      | Value        |
| MUNICIPAL BONDS (continued)                                |             |              |
| Political Subdivision General Obligation Bonds (continued) |             |              |
| Washington County Housing &                                |             |              |
| Redevelopment Authority                                    |             |              |
| Series B 5.50% 2/1/32 (MBIA)                               | \$1,140,000 | \$ 1,202,757 |
|  |             | -----        |
|  |             | 7,221,152    |
|  |             | -----        |
| *Pre-Refunded Bonds - 9.00%                                |             |              |
| Duluth Economic Development Authority                      |             |              |
| Health Care Facilities Revenue                             |             |              |
| (Duluth Clinic)  |             |              |
| 6.20% 11/1/12-04 (AMBAC)                                   | 280,000     | 281,117      |
| 6.30% 11/1/22-04 (AMBAC)                                   | 960,000     | 963,907      |
| Esko Independent School District #99                       |             |              |
| 5.65% 4/1/12-05 (FSA)                                      | 550,000     | 560,648      |
| Hawley Independent School District #150                    |             |              |
| Series A 5.75% 2/1/17-06 (FSA)                             | 1,000,000   | 1,049,450    |
| Minnesota Public Facilities Authority Water                |             |              |
| Pollution Control Revenue Series A                         |             |              |
| 6.25% 3/1/16-05  | 1,000,000   | 1,019,520    |
| Puerto Rico Commonwealth Public                            |             |              |
| Improvement Series A 5.00% 7/1/27-12                       | 1,250,000   | 1,395,613    |
| Puerto Rico Highway & Transportation                       |             |              |
| Authority Revenue Series Y                                 |             |              |
| 5.50% 7/1/26-06  | 2,000,000   | 2,157,759    |
| Puerto Rico Public Buildings Authority                     |             |              |
| Series D 5.25% 7/1/27-12                                   | 625,000     | 701,600      |
| Stewartville Independent School                            |             |              |
| District #534 5.75% 2/1/17-05                              | 1,705,000   | 1,727,677    |
|  |             | -----        |
|  |             | 9,857,291    |
|  |             | -----        |
| Public Power Revenue Bonds - 11.92%                        |             |              |
| Minnesota State Municipal Power Agency                     |             |              |
| Series A 5.00% 10/1/34                                     | 5,750,000   | 5,769,320    |
| Rochester Electric Utility Revenue                         |             |              |
| 5.25% 12/1/30 (AMBAC)                                      | 450,000     | 470,840      |
| **Southern Minnesota Municipal Power                       |             |              |
| Agency Supply System Revenue,                              |             |              |
| Inverse Floater Series A                                   |             |              |
| 8.688% 1/1/14 (AMBAC)                                      | 3,000,000   | 3,780,450    |
| 8.688% 1/1/15  | 1,500,000   | 1,911,435    |
| Western Minnesota Municipal Power Agency                   |             |              |
| Series A 5.00% 1/1/30 (MBIA)                               | 1,100,000   | 1,126,444    |
|  |             | -----        |
|  |             | 13,058,489   |

|  |           |            |
|--|-----------|------------|
| School District General Obligation Bonds - 9.29% |           |            |
| Centennial Independent School District #012      |           |            |
| Series 2002A 5.00% 2/1/20 (FSA)                  | 400,000   | 424,020    |
| Farmington Independent School                    |           |            |
| District #192 5.00% 2/1/23 (FSA)                 | 1,080,000 | 1,128,805  |
| Minneapolis Special School District #001         |           |            |
| 5.00% 2/1/19 (FSA)                               | 1,000,000 | 1,073,540  |
| Morris Independent School District #769          |           |            |
| 5.00% 2/1/28 (MBIA)                              | 2,750,000 | 2,835,085  |
| Mounds View Independent School                   |           |            |
| District #621 5.00% 2/1/23 (FSA)                 | 1,000,000 | 1,050,340  |
| Rosemount Independent School                     |           |            |
| District #196 Series A 5.70% 4/1/12              | 1,270,000 | 1,339,126  |
| St. Michael Independent                          |           |            |
| School District #885                             |           |            |
| 5.00% 2/1/22 (FSA)                               | 1,500,000 | 1,573,560  |
| 5.00% 2/1/24 (FSA)                               | 725,000   | 753,130    |
|  |           | -----      |
|  |           | 10,177,606 |
|  |           | -----      |

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DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND II, INC.

STATEMENTS  
OF NET ASSETS (CONTINUED)

|  | Principal<br>Amount | Market<br>Value |
|--|---------------------|-----------------|
| MUNICIPAL BONDS (continued)                    |                     |                 |
| Single Family Housing Revenue Bonds - 2.65%    |                     |                 |
| Minnesota State Housing Finance Agency         |                     |                 |
| Single Family Housing Series 1992-C2           |                     |                 |
| 6.15% 7/1/23 (AMT)                             | \$ 920,000          | \$ 928,262      |
| Minnesota State Housing Finance Agency         |                     |                 |
| Single Family Mortgage                         |                     |                 |
| Series B 5.35% 1/1/33 (AMT)                    | 1,155,000           | 1,176,044       |
| Series J 5.90% 7/1/28 (AMT)                    | 770,000             | 797,751         |
|  |                     | -----           |
|  |                     | 2,902,057       |
|  |                     | -----           |
| State General Obligation Bonds - 4.06%         |                     |                 |
| Minnesota State 5.00% 8/1/21                   | 3,525,000           | 3,779,293       |
| **Minnesota State, Inverse Floater             |                     |                 |
| 8.479% 11/1/17                                 | 570,000             | 666,091         |
|  |                     | -----           |
|  |                     | 4,445,384       |
|  |                     | -----           |
| Tax Increment/Special Assessment Bonds - 0.49% |                     |                 |
| Moorhead Economic Development                  |                     |                 |

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|   |   |   |
|---|---|---|
| Authority Tax Increment Series A<br>5.25% 2/1/25 (MBIA)   | 500,000   | 535,630   |
|   |   | -----   |
|   |   | 535,630   |
|   |   | -----   |
| Territorial General Obligation Bonds - 1.08%<br>Puerto Rico Commonwealth Public<br>Improvement Series A<br>5.50% 7/1/19 (MBIA)  | 1,000,000   | 1,176,290   |
|   |   | -----   |
|   |   | 1,176,290   |
|   |   | -----   |
| Territorial Revenue Bonds - 1.61%<br>Puerto Rico Electric Power Authority Power<br>Revenue Series Z 5.25% 7/1/21<br>Puerto Rico Public Buildings Authority<br>Revenue Series D (Unrefunded Balance)<br>5.25% 7/1/27   | 1,500,000<br><br>225,000                                  | 1,527,465<br><br>233,836                                  |
|   |   | -----   |
|   |   | 1,761,301   |
|   |   | -----   |
| Variable Rate Demand Notes - 2.69%<br>Minneapolis Block E Buildings Series A<br>1.56% 12/1/18<br>1.56% 3/1/27<br>Minneapolis Library 1.56% 12/1/32<br>Minneapolis Multifamily Housing Revenue<br>(Seven Corners Apartments Project)<br>1.66% 11/1/31<br>Minnesota State Higher Education Facilities<br>Authority (Carleton College)<br>Series 5-G 1.56% 11/1/29 | 300,000<br>1,250,000<br>200,000<br><br>300,000<br>900,000 | 300,000<br>1,250,000<br>200,000<br><br>300,000<br>900,000 |
|   |   | -----   |
|   |   | 2,950,000   |
|   |   | -----   |
| TOTAL MUNICIPAL BONDS (cost \$159,831,480)  |   | 167,326,650   |
|   |   | -----   |
| TOTAL MARKET VALUE OF SECURITIES - 152.79%<br>(cost \$159,831,480)  |   | \$167,326,650   |
| RECEIVABLES AND OTHER ASSETS<br>NET OF LIABILITIES - 2.00%  |   | 2,187,819   |
| LIQUIDATION VALUE OF PREFERRED STOCK - (54.79%)   |   | (60,000,000)  |
|   |   | -----   |
| Net Assets Applicable to 7,252,200<br>Shares Outstanding - 100.00%  |   | \$109,514,469   |
|   |   | -----   |
| Net Asset Value Per Common Share<br>(\$109,514,469 / 7,252,200 Shares)  |   | \$15.10   |
|   |   | -----   |
| COMPONENTS OF NET ASSETS AT SEPTEMBER 30, 2004:<br>Common stock, \$0.01 par value, 200 million shares<br>authorized to the Fund<br>Undistributed net investment income  |   | \$ 99,710,000<br>2,951,972                                |

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|  |               |
|--|---------------|
| Accumulated net realized loss on investments | (461,794)     |
| Net unrealized appreciation of investments   | 7,314,291     |
|  | -----         |
| Total net assets                             | \$109,514,469 |
|  | -----         |

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

\*\*An inverse floater bond is a type of bond with variable or floating interest rates that move in the opposite direction of short-term interest rates. Interest rate disclosed is in effect as of September 30, 2004.

SUMMARY OF ABBREVIATIONS:

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

See accompanying notes

STATEMENTS OF NET ASSETS (CONTINUED)  
 DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III, INC.  
 September 30, 2004 (Unaudited)

|  | Principal<br>Amount | Market<br>Value |
|--|---------------------|-----------------|
| MUNICIPAL BONDS - 156.00%                  |                     |                 |
| Airport Revenue Bonds - 9.41%              |                     |                 |
| Minneapolis/St. Paul Metropolitan Airports |                     |                 |
| Commission Revenue Series A                |                     |                 |
| 5.00% 1/1/28 (MBIA)                        | \$ 750,000          | \$ 769,838      |
| 5.00% 1/1/30 (AMBAC)                       | 750,000             | 760,140         |
| 5.125% 1/1/25 (FGIC)                       | 900,000             | 930,636         |
|  |                     | -----           |
|  |                     | 2,460,614       |
|  |                     | -----           |
| City General Obligation Bonds - 4.91%      |                     |                 |
| Moorhead Series B 5.00% 2/1/33 (MBIA)      | 1,250,000           | 1,283,225       |
|  |                     | -----           |
|  |                     | 1,283,225       |
|  |                     | -----           |
| Corporate Backed Revenue Bonds - 7.41%     |                     |                 |
| Cloquet Pollution Control Revenue          |                     |                 |
| (Potlatch Corporation) 5.90% 10/1/26       | 1,000,000           | 1,011,690       |
| Minneapolis Community Development          |                     |                 |
| Agency Supported Development               |                     |                 |
| Revenue (Pajor Graphics) Series 1          |                     |                 |

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|   |                                  |                                  |
|---|----------------------------------|----------------------------------|
| (LOC US Bank NA) 6.75% 12/1/25 (AMT)  | 865,000                          | 926,303                          |
|   |                                  | -----                            |
|   |                                  | 1,937,993                        |
|   |                                  | -----                            |
| Escrowed to Maturity Bonds - 12.31%   |                                  |                                  |
| University of Minnesota Hospital & Clinics<br>6.75% 12/1/16   | 2,580,000                        | 3,219,324                        |
|   |                                  | -----                            |
|   |                                  | 3,219,324                        |
|   |                                  | -----                            |
| Higher Education Revenue Bonds - 5.15%  |                                  |                                  |
| Minnesota State Higher Education<br>Facilities Authority<br>(College of St. Benedict)<br>Series 5-W 5.25% 3/1/24<br>(St. Thomas University)<br>Series 4-A1 5.625% 10/1/21 | 300,000<br><br><br><br>1,010,000 | 310,824<br><br><br><br>1,037,371 |
|   |                                  | -----                            |
|   |                                  | 1,348,195                        |
|   |                                  | -----                            |
| Hospital Revenue Bonds - 30.05%   |                                  |                                  |
| Bemidji Hospital Facilities Revenue<br>(North Country Health Services)<br>5.00% 9/1/24 (RADIANT)  | 500,000                          | 515,810                          |
| Duluth Economic Development Authority<br>Health Care Facilities Revenue<br>Benedictine Health System<br>(St. Mary's Hospital) 5.25% 2/15/33                               | 1,000,000                        | 1,003,980                        |
| Minneapolis Health Care System Revenue<br>(Allina Health Systems)<br>Series A 5.75% 11/15/32  | 1,100,000                        | 1,148,939                        |
| Minnesota Agricultural & Economic<br>Development Health Care System<br>(Benedictine Health Systems)<br>5.75% 2/1/29<br>(Fairview Hospital)<br>Series A 6.375% 11/15/29    | 600,000<br><br>1,250,000         | 585,750<br><br>1,353,338         |
| Rochester Health Care Facilities Revenue<br>(Mayo Foundation)<br>Series B 5.50% 11/15/27  | 1,000,000                        | 1,060,190                        |
| Shakopee Health Care Facilities Revenue<br>(St. Francis Regional Medical Center)<br>5.25% 9/1/34  | 310,000                          | 305,976                          |
| St. Paul Housing & Redevelopment<br>Authority Revenue (Franciscan Health<br>Project) 5.40% 11/20/42 (GNMA) (FHA)  | 1,820,000                        | 1,884,809                        |
|   |                                  | -----                            |
|   |                                  | 7,858,792                        |
|   |                                  | -----                            |

|           |        |
|-----------|--------|
| Principal | Market |
| Amount    | Value  |

MUNICIPAL BONDS (continued)  
Miscellaneous Revenue Bonds - 1.01%  
Minneapolis Art Center Facilities Revenue

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|   |            |            |
|---|------------|------------|
| (Walker Art Center Project) 5.125% 7/1/21   | \$ 250,000 | \$ 263,263 |
|   |            | -----      |
|   |            | 263,263    |
|   |            | -----      |
| Multifamily Housing Revenue Bonds - 15.34%  |            |            |
| Burnsville Multifamily Housing Mortgage<br>Revenue SCA Tax Exempt Trust<br>Series A 7.10% 1/1/30 (FSA)                  | 1,930,000  | 1,980,932  |
| Minneapolis Multifamily Housing Revenue<br>(Gaar Scott Loft Project)<br>5.95% 5/1/30 (AMT)                              | 980,000    | 1,047,345  |
| (Olson Townhomes Project)<br>6.00% 12/1/19 (AMT)  | 1,000,000  | 983,790    |
|   |            | -----      |
|   |            | 4,012,067  |
|   |            | -----      |
| Municipal Lease Revenue Bonds - 9.91%   |            |            |
| Andover Economic Development Authority<br>Public Facilities Lease Revenue (Andover<br>Community Center) 5.125% 2/1/24   | 500,000    | 510,005    |
| St. Paul Port Authority Lease Revenue<br>(Cedar Street Office Building Project)<br>5.125% 12/1/27                       | 500,000    | 520,070    |
| 5.25% 12/1/27   | 1,000,000  | 1,048,230  |
| St. Paul Port Authority Lease Revenue<br>(Robert Street Office Building Project)<br>5.00% 12/1/27                       | 500,000    | 514,565    |
|   |            | -----      |
|   |            | 2,592,870  |
|   |            | -----      |
| Parking Revenue Bonds - 5.88%   |            |            |
| St. Paul Housing & Redevelopment<br>Authority Parking Revenue<br>(Block 19 Ramp Project)<br>Series A 5.35% 8/1/29 (FSA) | 1,450,000  | 1,538,465  |
|   |            | -----      |
|   |            | 1,538,465  |
|   |            | -----      |
| Political Subdivision General Obligation Bonds - 9.63%  |            |            |
| Metropolitan Council Waste Water Treatment<br>Series B 5.00% 12/1/21  | 750,000    | 804,015    |
| Minneapolis Sports Arena Project<br>5.125% 10/1/20  | 750,000    | 796,590    |
| Washington County Housing &<br>Redevelopment Authority<br>Series B 5.50% 2/1/22 (MBIA)                                  | 850,000    | 917,142    |
|   |            | -----      |
|   |            | 2,517,747  |
|   |            | -----      |
| *Pre-Refunded Bonds - 9.98%   |            |            |
| Duluth Economic Development Authority<br>Health Care Facilities Revenue (Duluth<br>Clinic) 6.20% 11/1/12-04 (AMBAC)     | 420,000    | 421,676    |
| Esko Independent School District #99<br>5.75% 4/1/17-05 (FSA)   | 2,145,000  | 2,187,600  |
|   |            | -----      |
|   |            | 2,609,276  |
|   |            | -----      |
| Public Power Revenue Bonds - 20.15%   |            |            |
| Minnesota State Municipal Power Agency<br>5.25% 10/1/19   | 500,000    | 540,820    |
| Series A 5.00% 10/1/34  | 250,000    | 250,840    |

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|                                       |         |         |
|---------------------------------------|---------|---------|
| Southern Minnesota Municipal Power    |         |         |
| Agency Supply System Revenue Series A |         |         |
| 5.00% 1/1/13 (MBIA)                   | 500,000 | 555,790 |
| 5.25% 1/1/15 (AMBAC)                  | 700,000 | 795,998 |
| 5.25% 1/1/16 (AMBAC)                  | 500,000 | 569,540 |

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STATEMENTS  
OF NET ASSETS (CONTINUED)

|   | Principal<br>Amount | Market<br>Value |
|---|---------------------|-----------------|
| MUNICIPAL BONDS (continued)                               |                     |                 |
| Public Power Revenue Bonds (continued)                    |                     |                 |
| **Southern Minnesota Municipal Power                      |                     |                 |
| Agency Supply System Revenue,<br>Inverse Floater Series A |                     |                 |
| 8.688% 1/1/14 (AMBAC)                                     | \$1,500,000         | \$ 1,890,224    |
| Western Minnesota Municipal Power                         |                     |                 |
| Agency Series B 5.00% 1/1/15 (MBIA)                       | 600,000             | 666,288         |
|   |                     | -----           |
|   |                     | 5,269,500       |
|   |                     | -----           |
| Single Family Housing Revenue Bonds - 2.51%               |                     |                 |
| Minnesota State Housing Finance Agency                    |                     |                 |
| Single Family Mortgage                                    |                     |                 |
| Series B 5.35% 1/1/33 (AMT)                               | 645,000             | 656,752         |
|   |                     | -----           |
|   |                     | 656,752         |
|   |                     | -----           |
| Territorial General Obligation Bonds - 1.96%              |                     |                 |
| University Virgin Islands                                 |                     |                 |
| Series A 5.375% 6/1/34                                    | 500,000             | 513,525         |
|   |                     | -----           |
|   |                     | 513,525         |
|   |                     | -----           |
| Variable Rate Demand Notes - 1.62%                        |                     |                 |
| Minneapolis Block E Buildings                             |                     |                 |
| Series A 1.56% 12/1/18                                    | 425,000             | 425,000         |
|   |                     | -----           |
|   |                     | 425,000         |
|   |                     | -----           |
| Water & Sewer Revenue Bonds - 8.77%                       |                     |                 |
| Minnesota Public Facilities Authority Water               |                     |                 |
| Pollution Control Revenue                                 |                     |                 |
| Series B 5.40% 3/1/15                                     | 2,200,000           | 2,293,302       |
|   |                     | -----           |
|   |                     | 2,293,302       |
|   |                     | -----           |
| TOTAL MUNICIPAL BONDS (cost \$38,711,216)                 |                     | 40,799,910      |



|   |               |
|---|---------------|
| TOTAL MARKET VALUE OF SECURITIES - 156.00%      |               |
| (cost \$38,711,216)                             | \$ 40,799,910 |
| RECEIVABLES AND OTHER ASSETS                    |               |
| NET OF LIABILITIES - 1.35%                      | 354,192       |
| LIQUIDATION VALUE OF PREFERRED STOCK - (57.35%) | (15,000,000)  |
| -----   |               |
| NET ASSETS APPLICABLE TO 1,837,200              |               |
| SHARES OUTSTANDING - 100.00%                    | \$ 26,154,102 |
| -----   |               |
| Net Asset Value Per Common Share                |               |
| (\$26,154,102 / 1,837,200 Shares)               | \$14.24       |
| -----   |               |

COMPONENTS OF NET ASSETS AT SEPTEMBER 30, 2004:

|   |               |
|---|---------------|
| Common stock, \$0.01 par value, 200 million shares authorized to the Fund | \$ 23,985,129 |
| Undistributed net investment income                                       | 683,427       |
| Accumulated net realized loss on investments                              | (482,990)     |
| Net unrealized appreciation of investments                                | 1,968,536     |
| -----   |               |
| Total net assets  | \$ 26,154,102 |
| -----   |               |

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

\*\*An inverse floater bond is a type of bond with variable or floating interest rates that move in the opposite direction of short-term interest rates. Interest rate disclosed is in effect as of September 30, 2004.

SUMMARY OF ABBREVIATIONS:

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

See accompanying notes

STATEMENTS OF NET ASSETS (CONTINUED)  
 DELAWARE INVESTMENTS ARIZONA MUNICIPAL INCOME FUND, INC.  
 September 30, 2004 (Unaudited)

|                     |                 |
|---------------------|-----------------|
| Principal<br>Amount | Market<br>Value |
|---------------------|-----------------|

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|  |             |             |
|--|-------------|-------------|
| MUNICIPAL BONDS - 152.06%                                |             |             |
| Airport Revenue Bonds - 6.79%                            |             |             |
| Phoenix Civic Improvement Corporation                    |             |             |
| Airport Revenue  |             |             |
| Senior Lien Series A 5.00% 7/1/25 (FSA)                  | \$1,000,000 | \$1,025,790 |
| Series B 5.25% 7/1/27 (FGIC) (AMT)                       | 2,000,000   | 2,059,620   |
|  |             | -----       |
|  |             | 3,085,410   |
|  |             | -----       |
| City General Obligation Bonds - 1.14%                    |             |             |
| DC Ranch Community Facilities                            |             |             |
| 5.00% 7/15/27 (AMBAC)                                    | 500,000     | 515,680     |
|  |             | -----       |
|  |             | 515,680     |
|  |             | -----       |
| Continuing Care/Retirement Revenue Bonds - 3.48%         |             |             |
| Yavapai County Industrial Development                    |             |             |
| Authority Residential Care Facilities                    |             |             |
| (Margaret T. Morris Center)                              |             |             |
| Series A 5.40% 2/20/38 (GNMA)                            | 1,575,000   | 1,580,560   |
|  |             | -----       |
|  |             | 1,580,560   |
|  |             | -----       |
| Convention Center/Auditorium/Hotel Revenue Bonds - 2.25% |             |             |
| Arizona Tourism & Sports Authority Tax                   |             |             |
| Revenue Multipurpose Stadium Facilities                  |             |             |
| Series A 5.00% 7/1/31 (MBIA)                             | 1,000,000   | 1,023,060   |
|  |             | -----       |
|  |             | 1,023,060   |
|  |             | -----       |
| Dedicated Tax & Fees Revenue Bonds - 6.76%               |             |             |
| Glendale Municipal Property Corporation                  |             |             |
| 5.00% 7/1/33 (AMBAC)                                     | 3,000,000   | 3,069,180   |
|  |             | -----       |
|  |             | 3,069,180   |
|  |             | -----       |
| Escrowed to Maturity Bonds - 10.72%                      |             |             |
| Puerto Rico Commonwealth Infrastructure                  |             |             |
| Financing Series A 5.50% 10/1/40                         |             |             |
|  | 4,500,000   | 4,868,730   |
|  |             | -----       |
|  |             | 4,868,730   |
|  |             | -----       |
| Higher Education Revenue Bonds - 8.45%                   |             |             |
| Arizona State University Certificates of                 |             |             |
| Participation 5.00% 9/1/30 (AMBAC)                       |             |             |
|  | 1,000,000   | 1,023,930   |
| South Campus Group Student Housing                       |             |             |
| Revenue (Arizona State University                        |             |             |
| South Campus Project)                                    |             |             |
| 5.625% 9/1/35 (MBIA)                                     | 1,000,000   | 1,090,990   |
| Southern Arizona Capital Facilities Finance              |             |             |
| Corporation (University of Arizona                       |             |             |
| Project) 5.00% 9/1/23 (MBIA)                             |             |             |
|  | 1,150,000   | 1,193,735   |
| University of Arizona Certificates of                    |             |             |
| Participation (University of Arizona                     |             |             |
| Project) Series B 5.125% 6/1/22 (AMBAC)                  |             |             |
|  | 500,000     | 527,280     |
|  |             | -----       |
|  |             | 3,835,935   |
|  |             | -----       |
| Hospital Revenue Bonds - 18.81%                          |             |             |
| Maricopa County Industrial                               |             |             |
| Development Authority                                    |             |             |

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|  |             |             |
|--|-------------|-------------|
| (Catholic Healthcare West)   |             |             |
| Series A 5.50% 7/1/26  | 430,000     | 434,489     |
| (Mayo Clinic Hospital) 5.25% 11/15/37  | 2,000,000   | 2,043,200   |
| Mohave County Industrial Development Authority (Chris/Silver Ridge) 6.375% 11/1/31 (GNMA)  | 260,000     | 273,546     |
| Scottsdale Industrial Development Authority Hospital Revenue (Scottsdale Healthcare) 5.80% 12/1/31                                   | 1,000,000   | 1,035,340   |
|  |             |             |
|  | Principal   | Market      |
|  | Amount      | Value       |
| MUNICIPAL BONDS (continued)  |             |             |
| Hospital Revenue Bonds (continued)   |             |             |
| Show Low Industrial Development Authority Hospital Revenue (Navapache Regional Medical Center) Series A 5.50% 12/1/17 (ACA)          | \$1,600,000 | \$1,665,472 |
| University Medical Center Corporation Arizona Hospital Revenue 5.00% 7/1/33  | 1,000,000   | 988,640     |
| Yavapai County Industrial Development Authority (Yavapai Regional Medical Center) 5.25% 8/1/21 (RADIAN)                              | 2,000,000   | 2,100,800   |
|  |             | -----       |
|  |             | 8,541,487   |
|  |             | -----       |
| Miscellaneous Revenue Bonds - 8.27%  |             |             |
| Arizona School Facilities Board Revenue (State School Improvement) Series 2001 5.00% 7/1/19  | 2,000,000   | 2,154,120   |
| Arizona Student Loan Acquisition Authority Revenue Series A-1 5.90% 5/1/24 (AMT)   | 1,500,000   | 1,601,820   |
|  |             | -----       |
|  |             | 3,755,940   |
|  |             | -----       |
| Multifamily Housing Revenue Bonds - 3.91%  |             |             |
| Maricopa County Industrial Development Authority Multifamily Housing Revenue (Sly-Mar Apartments Project) 6.10% 4/20/36 (GNMA) (AMT) | 465,000     | 500,187     |
| Peoria Industrial Development Authority Multifamily Housing Revenue (Casa Del Rio) Series A 7.30% 2/20/28 (GNMA)                     | 1,230,000   | 1,273,505   |
|  |             | -----       |
|  |             | 1,773,692   |
|  |             | -----       |
| Municipal Lease Revenue Bonds - 10.78%   |             |             |
| Arizona School Facilities Board Certificates of Participation Series B 5.25% 9/1/19 (FSA)  | 1,000,000   | 1,102,780   |
| Phoenix Civic Improvement Corporation Excise Tax Senior Lien (Municipal Courthouse Project) Series A 5.25% 7/1/24                    | 1,000,000   | 1,060,460   |
| Prescott Valley Property Corporation   |             |             |

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|  |           |           |
|--|-----------|-----------|
| 5.00% 1/1/27 (FGIC)                                    | 500,000   | 515,825   |
| Tucson Certificates of Participation                   |           |           |
| 5.60% 7/1/11   | 1,100,000 | 1,188,748 |
| Yuma Municipal Property Corporation                    |           |           |
| 5.00% 7/1/25 (AMBAC)                                   | 1,000,000 | 1,024,770 |
|  |           | -----     |
|  |           | 4,892,583 |
|  |           | -----     |
| Political Subdivision General Obligation Bonds - 3.57% |           |           |
| Eagle Mountain Community Facilities                    |           |           |
| District Series A 6.40% 7/1/17                         | 1,500,000 | 1,619,940 |
|  |           | -----     |
|  |           | 1,619,940 |
|  |           | -----     |
| *Pre-Refunded Bonds - 13.15%                           |           |           |
| Arizona State Transportation Board Highway             |           |           |
| Revenue Refunding 5.75% 7/1/18-09                      | 2,350,000 | 2,674,887 |
| Arizona Water Infrastructure Finance                   |           |           |
| Authority Revenue Water Quality                        |           |           |
| Series A 5.05% 10/1/20-11                              | 1,500,000 | 1,675,350 |
| Oro Valley Municipal Property Corporation              |           |           |
| Excise Tax 5.00% 7/1/20-11 (FGIC)                      | 1,000,000 | 1,059,540 |
| Puerto Rico Commonwealth Public                        |           |           |
| Improvement Series A 5.125% 7/1/31-11                  | 250,000   | 279,248   |

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

|   | Principal<br>Amount | Market<br>Value |
|---|---------------------|-----------------|
| MUNICIPAL BONDS (continued)                       |                     |                 |
| *Pre-Refunded Bonds (continued)                   |                     |                 |
| Yuma Industrial Development Authority             |                     |                 |
| Hospital Revenue (Yuma Regional                   |                     |                 |
| Medical Center) 5.00% 8/1/31-11 (FSA)             | \$ 250,000          | \$ 278,750      |
|   |                     | -----           |
|   |                     | 5,967,775       |
|   |                     | -----           |
| Public Power Revenue Bonds - 2.26%                |                     |                 |
| Salt River Project Arizona Agricultural           |                     |                 |
| Improvement & Power District Electric             |                     |                 |
| System Revenue (Salt River Project)               |                     |                 |
| Series A 5.00% 1/1/31                             | 1,000,000           | 1,024,040       |
|   |                     | -----           |
|   |                     | 1,024,040       |
|   |                     | -----           |
| School District General Obligation Bonds - 17.58% |                     |                 |
| Maricopa County School District #6                |                     |                 |
| (Washington Elementary School                     |                     |                 |

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|   |           |              |
|---|-----------|--------------|
| Improvement Project of 2001)                            |           |              |
| Series B 5.00% 7/1/17 (FSA)                             | 1,000,000 | 1,115,510    |
| (Washington Elementary)                                 |           |              |
| Series A 5.375% 7/1/13 (FSA)                            | 3,000,000 | 3,431,700    |
| Maricopa County School District #38                     |           |              |
| (Madison Elementary)                                    |           |              |
| 5.00% 7/1/13 (FSA)                                      | 1,250,000 | 1,394,738    |
| 5.00% 7/1/14 (FSA)                                      | 825,000   | 921,401      |
| Tempe Union High School                                 |           |              |
| District #213 5.00% 7/1/14 (FSA)                        | 1,000,000 | 1,116,850    |
|   |           | -----        |
|   |           | 7,980,199    |
|   |           | -----        |
| Single Family Housing Revenue Bonds - 5.52%             |           |              |
| Phoenix Industrial Development Authority                |           |              |
| Single Family Statewide                                 |           |              |
| Series A 5.35% 6/1/20                                   |           |              |
| (GNMA) (FNMA) (FHLMC) (AMT)                             | 1,160,000 | 1,196,354    |
| Series C 5.30% 4/1/20                                   |           |              |
| (GNMA) (FNMA) (FHLMC) (AMT)                             | 915,000   | 948,498      |
| Pima County Industrial Development                      |           |              |
| Authority Single Family Mortgage                        |           |              |
| Revenue Series A 6.125% 11/1/33                         |           |              |
| (GNMA) (FNMA) (FHLMC) (AMT)                             | 340,000   | 358,979      |
|   |           | -----        |
|   |           | 2,503,831    |
|   |           | -----        |
| Territorial Revenue Bonds - 23.30%                      |           |              |
| Puerto Rico Commonwealth Highway &                      |           |              |
| Transportation Authority Transportation                 |           |              |
| Refunding Series D 5.00% 7/1/32 (FSA)                   | 8,500,000 | 8,727,374    |
| Puerto Rico Commonwealth Public                         |           |              |
| Improvement Series A 5.125% 7/1/31                      | 500,000   | 510,395      |
| Virgin Islands Public Finance Authority                 |           |              |
| Revenue Series A 6.125% 10/1/29 (ACA)                   | 1,250,000 | 1,343,213    |
|   |           | -----        |
|   |           | 10,580,982   |
|   |           | -----        |
| Water & Sewer Revenue Bonds - 5.32%                     |           |              |
| Phoenix Civic Improvement Corporation                   |           |              |
| Wastewater Systems Revenue Junior Lien                  |           |              |
| 5.00% 7/1/24 (FGIC)                                     | 1,590,000 | 1,641,818    |
| 5.00% 7/1/26 (FGIC)                                     | 750,000   | 772,530      |
|   |           | -----        |
|   |           | 2,414,348    |
|   |           | -----        |
| TOTAL MUNICIPAL BONDS (cost \$65,484,033)               |           | 69,033,372   |
|   |           | -----        |
| TOTAL MARKET VALUE OF SECURITIES - 152.06%              |           |              |
| (cost \$65,484,033)                                     |           | \$69,033,372 |
| RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES - 3.01% |           | 1,365,531    |
| LIQUIDATION VALUE OF PREFERRED STOCK - (55.07%)         |           | (25,000,000) |
|   |           | -----        |
| NET ASSETS APPLICABLE TO 2,982,200                      |           |              |
| COMMON SHARES OUTSTANDING - 100.00%                     |           | \$45,398,903 |
|   |           | -----        |

Net Asset Value Per Common Share  
 (\$45,398,903 / 2,982,200 Shares) \$15.22  
-----

COMPONENTS OF NET ASSETS AT SEPTEMBER 30, 2004:

|  |                       |
|--|-----------------------|
| Common stock, \$0.01 par value, 200 million shares<br>authorized to the Fund | \$40,838,893          |
| Undistributed net investment income  | 990,162               |
| Accumulated net realized gain on investments                                 | 45,981                |
| Net unrealized appreciation of investments                                   | 3,523,867             |
|  | -----                 |
| Total net assets   | \$45,398,903<br>----- |

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

SUMMARY OF ABBREVIATIONS:

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

See accompanying notes

STATEMENTS OF NET ASSETS (CONTINUED)  
 DELAWARE INVESTMENTS FLORIDA INSURED MUNICIPAL INCOME FUND  
 September 30, 2004 (Unaudited)

|   | Principal<br>Amount | Market<br>Value |
|---|---------------------|-----------------|
| MUNICIPAL BONDS - 150.09%                   |                     |                 |
| Airport Revenue Bonds - 2.79%               |                     |                 |
| Dade County Aviation Revenue                |                     |                 |
| Series 96B 5.60% 10/1/26 (MBIA)             | \$1,000,000         | \$1,069,970     |
|   |                     | -----           |
|   |                     | 1,069,970       |
|   |                     | -----           |
| Dedicated Tax & Fees Revenue Bonds - 24.67% |                     |                 |
| Florida State Department of Transportation  |                     |                 |
| 5.00% 7/1/31 (FGIC)                         | 1,525,000           | 1,552,481       |
| Jacksonville Sales Tax Revenue              |                     |                 |
| 5.00% 10/1/30 (MBIA)                        | 1,500,000           | 1,534,380       |
| Jacksonville Transportation Revenue         |                     |                 |
| 5.25% 10/1/29 (MBIA)                        | 2,000,000           | 2,084,980       |

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|   |           |           |
|---|-----------|-----------|
| Miami Beach Resort Tax Revenue              |           |           |
| 5.50% 10/1/16 (AMBAC)                       | 1,000,000 | 1,084,240 |
| Orange County Public Service Tax Revenue    |           |           |
| 6.00% 10/1/24 (FGIC)                        | 3,000,000 | 3,190,919 |
|   |           | -----     |
|   |           | 9,447,000 |
|   |           | -----     |
| Higher Education Revenue Bonds - 7.68%      |           |           |
| Florida Agriculture & Mechanical University |           |           |
| Revenue (Student Apartment Facility)        |           |           |
| 5.625% 7/1/21 (MBIA)                        | 1,250,000 | 1,331,638 |
| Volusia County Educational Facilities       |           |           |
| Authority (Stetson University Project)      |           |           |
| Series A 5.50% 6/1/17 (MBIA)                | 1,500,000 | 1,609,935 |
|   |           | -----     |
|   |           | 2,941,573 |
|   |           | -----     |
| Hospital Revenue Bonds - 21.57%             |           |           |
| Escambia County Health Facilities Authority |           |           |
| (Florida Health Care Facilities -           |           |           |
| VHA Program) 5.95% 7/1/20 (AMBAC)           | 3,075,000 | 3,169,433 |
| Lee County Memorial Health System           |           |           |
| Board of Directors 5.00% 4/1/20 (FSA)       | 1,000,000 | 1,050,040 |
| Orange County Health Facilities             |           |           |
| Authority Revenue                           |           |           |
| (Adventist Health Systems)                  |           |           |
| 5.75% 11/15/25 (AMBAC)                      | 1,500,000 | 1,579,995 |
| (Orlando Regional Healthcare)               |           |           |
| Series A 6.25% 10/1/18 (MBIA)               | 2,000,000 | 2,458,280 |
|   |           | -----     |
|   |           | 8,257,748 |
|   |           | -----     |
| Multifamily Housing Revenue Bonds - 22.87%  |           |           |
| Broward County Housing Finance Authority    |           |           |
| (St. Croix Apartments Project)              |           |           |
| Series A 5.45% 11/1/36 (FSA) (AMT)          | 1,000,000 | 1,021,180 |
| Florida Housing Finance Agency              |           |           |
| (Homeowner Mortgage)                        |           |           |
| Series 2 5.90% 7/1/29 (MBIA) (AMT)          | 825,000   | 855,393   |
| (Leigh Meadows Apartments Section 8)        |           |           |
| Series N 6.30% 9/1/36 (AMBAC) (AMT)         | 2,510,000 | 2,604,150 |
| (Woodbridge Apartments Project)             |           |           |
| Series L                                    |           |           |
| 6.05% 12/1/16 (AMBAC) (AMT)                 | 1,120,000 | 1,174,018 |
| 6.25% 6/1/36 (AMBAC) (AMT)                  | 1,500,000 | 1,558,050 |
| Volusia County Housing Finance Authority    |           |           |
| (San Marco Apartments)                      |           |           |
| Series A 5.60% 1/1/44 (FSA) (AMT)           | 1,500,000 | 1,543,245 |
|   |           | -----     |
|   |           | 8,756,036 |
|   |           | -----     |
| Municipal Lease Revenue Bonds - 23.93%      |           |           |
| Broward School Board                        |           |           |
| Certificates of Participation               |           |           |
| Series A 5.25% 7/1/24 (FSA)                 | 1,000,000 | 1,061,660 |

Principal

Market

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|   | Amount      | Value        |
|---|-------------|--------------|
| MUNICIPAL BONDS (continued)   |             |              |
| Municipal Lease Revenue Bonds (continued)   |             |              |
| Escambia County School Board Certificates<br>of Participation Series 2<br>5.50% 2/1/22 (MBIA)             | \$5,000,000 | \$ 5,294,700 |
| Orange County School Board Certificates<br>of Participation Series A<br>5.00% 8/1/27 (MBIA)               | 1,250,000   | 1,277,725    |
| Palm Beach County School Board<br>Certificates of Participation<br>Series D 5.00% 8/1/28 (FSA)            | 1,500,000   | 1,529,310    |
|   |             | -----        |
|   |             | 9,163,395    |
|   |             | -----        |
| Ports & Harbors Revenue Bonds - 2.68%   |             |              |
| Florida Ports Financing Commission State<br>Transportation Trust Fund<br>5.375% 6/1/27 (MBIA) (AMT)       | 1,000,000   | 1,024,550    |
|   |             | -----        |
|   |             | 1,024,550    |
|   |             | -----        |
| *Pre-Refunded Bonds - 22.01%  |             |              |
| Dade County School Board<br>Certificates of Participation<br>Series B 5.60% 8/1/17-06 (AMBAC)             | 1,000,000   | 1,077,830    |
| Reedy Creek Improvement District<br>(Florida Sports Complex)<br>Series A 5.75% 6/1/13-05 (MBIA)           | 2,300,000   | 2,364,308    |
| Sunrise Utility System Revenue<br>Series A 5.75% 10/1/26-06 (AMBAC)                                       | 2,500,000   | 2,715,700    |
| Tampa Utility Tax Improvement<br>Series A 6.125% 10/1/19-09 (AMBAC)                                       | 1,000,000   | 1,167,250    |
| Village Center Community Development<br>District Recreational Revenue<br>Series A 5.85% 11/1/16-06 (MBIA) | 1,000,000   | 1,100,820    |
|   |             | -----        |
|   |             | 8,425,908    |
|   |             | -----        |
| Public Power Revenue Bonds - 5.28%  |             |              |
| JEA Electric Systems Revenue<br>Series 3-A 5.00% 10/1/34 (FSA)  | 2,000,000   | 2,019,820    |
|   |             | -----        |
|   |             | 2,019,820    |
|   |             | -----        |
| State General Obligation Bonds - 6.00%  |             |              |
| Florida State Board of Education<br>(Capital Outlay Public Education)<br>Series C 6.00% 6/1/21 (FGIC)     | 2,000,000   | 2,295,880    |
|   |             | -----        |
|   |             | 2,295,880    |
|   |             | -----        |
| Tax Increment/Special Assessment Bonds - 0.79%  |             |              |
| Julington Creek Plantation Community<br>Development District Special<br>Assessment 5.00% 5/1/29 (MBIA)    | 295,000     | 300,868      |
|   |             | -----        |
|   |             | 300,868      |
|   |             | -----        |
| Water & Sewer Revenue Bonds - 9.82%   |             |              |



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|  |           |            |
|--|-----------|------------|
| Dade County Water & Sewer System<br>Revenue 5.50% 10/1/25 (FGIC)                                 | 1,100,000 | 1,150,643  |
| Indian River County Water & Sewer<br>Revenue 5.50% 9/1/16 (FGIC)                                 | 1,000,000 | 1,081,680  |
| Village Center Community Development<br>District Florida Utility Revenue<br>5.00% 10/1/36 (MBIA) | 1,500,000 | 1,528,380  |
|  |           | -----      |
|  |           | 3,760,703  |
|  |           | -----      |
| TOTAL MUNICIPAL BONDS (cost \$53,720,549)  |           | 57,463,451 |
|  |           | -----      |

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STATEMENTS  
OF NET ASSETS (CONTINUED)

|   |  |               |
|---|--|---------------|
| TOTAL MARKET VALUE OF SECURITIES - 150.09%              |  |               |
| (cost \$53,720,549)                                     |  | \$ 57,463,451 |
| RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES - 2.15% |  | 823,231       |
| LIQUIDATION VALUE OF PREFERRED STOCK - (52.24%)         |  | (20,000,000)  |
|   |  | -----         |
| NET ASSETS APPLICABLE TO 2,422,200                      |  |               |
| SHARES OUTSTANDING - 100.00%                            |  | \$ 38,286,682 |
|   |  | -----         |
| Net Asset Value Per Common Share                        |  |               |
| (\$38,286,682 / 2,422,200 Shares)                       |  | \$15.81       |
|   |  | -----         |

|  |  |               |
|--|--|---------------|
| COMPONENTS OF NET ASSETS AT SEPTEMBER 30, 2004:                            |  |               |
| Common stock, \$0.01 par value, unlimited shares<br>authorized to the Fund |  | \$ 33,361,389 |
| Undistributed net investment income  |  | 922,679       |
| Accumulated net realized gain on investments                               |  | 259,712       |
| Net unrealized appreciation of investments                                 |  | 3,742,902     |
|  |  | -----         |
| Total net assets   |  | \$ 38,286,682 |
|  |  | -----         |

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

SUMMARY OF ABBREVIATIONS:

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

See accompanying notes

STATEMENTS OF NET ASSETS (CONTINUED)  
 DELAWARE INVESTMENTS COLORADO INSURED MUNICIPAL INCOME FUND, INC.  
 September 30, 2004 (Unaudited)

|  | Principal<br>Amount | Market<br>Value             |
|--|---------------------|-----------------------------|
| MUNICIPAL BONDS - 150.42%  |                     |                             |
| Airport Revenue Bonds - 10.41%   |                     |                             |
| Denver City & County Airport Revenue<br>Series E 5.25% 11/15/23 (MBIA)                                 | \$7,500,000         | \$ 7,981,725                |
|  |                     | -----<br>7,981,725<br>----- |
| City General Obligation Bonds - 2.67%  |                     |                             |
| Bowles Metropolitan District<br>5.00% 12/1/33 (FSA)  | 2,000,000           | 2,046,400                   |
|  |                     | -----<br>2,046,400<br>----- |
| Continuing Care/Retirement Revenue Bonds - 3.48%   |                     |                             |
| Colorado Health Facilities Authority<br>Revenue (Porter Place) Series A<br>6.00% 1/20/36 (GNMA)        | 2,515,000           | 2,668,038                   |
|  |                     | -----<br>2,668,038<br>----- |
| Convention Center/Auditorium/Hotel Revenue Bonds - 3.98%   |                     |                             |
| Denver Convention Center<br>Series A 5.00% 12/1/33 (XLCA)  | 3,000,000           | 3,049,440                   |
|  |                     | -----<br>3,049,440<br>----- |
| Dedicated Tax & Fees Revenue Bonds - 11.30%  |                     |                             |
| Broomfield County Sales & Use Tax<br>Revenue Refunding & Improvement<br>Series A 5.00% 12/1/31 (AMBAC) | 650,000             | 662,838                     |

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|   |             |                              |
|---|-------------|------------------------------|
| Denver City & County Excise Tax Revenue<br>(Colorado Convention Center Project)<br>Series A 5.00% 9/1/20 (FSA)                  | 6,500,000   | 6,919,835                    |
| Golden Sales & Use Tax Revenue<br>Improvement Series B<br>5.10% 12/1/20 (AMBAC)   | 1,000,000   | 1,076,830                    |
|   |             | -----<br>8,659,503<br>-----  |
| Higher Education Revenue Bonds - 32.64%   |             |                              |
| Boulder County Development Revenue<br>(University Corporation for Atmospheric<br>Research) 5.00% 9/1/26 (MBIA)                  | 4,500,000   | 4,604,130                    |
| Colorado Educational & Cultural<br>Facilities Authority<br>(Johnson & Wales University Project)<br>Series A 5.00% 4/1/28 (XLCA) | 3,000,000   | 3,062,280                    |
| (University of Colorado Foundation<br>Project) 5.00% 7/1/27 (AMBAC)   | 4,000,000   | 4,096,000                    |
| (University of Denver Project)<br>5.50% 3/1/21 (AMBAC)  | 3,200,000   | 3,568,512                    |
| (University of Northern Colorado)<br>5.00% 7/1/31 (MBIA)  | 2,500,000   | 2,539,175                    |
| Colorado Springs Revenue (Colorado<br>College Project) 5.375% 6/1/32 (MBIA)   | 5,000,000   | 5,314,549                    |
| Colorado State University Systems<br>Series B 5.00% 3/1/35 (AMBAC)  | 1,800,000   | 1,833,732                    |
|   |             | -----<br>25,018,378<br>----- |
| Hospital Revenue Bonds - 4.50%  |             |                              |
| Colorado Health Facilities Authority<br>(Boulder Community Hospital Project)<br>Series B 5.875% 10/1/23 (MBIA)                  | 1,925,000   | 1,969,256                    |
| (North Colorado Medical Center)<br>5.95% 5/15/12 (MBIA)   | 1,420,000   | 1,480,350                    |
|   |             | -----<br>3,449,606<br>-----  |
| Multifamily Housing Revenue Bonds - 5.78%   |             |                              |
| Burlingame Multifamily Housing Revenue<br>Series A 6.00% 11/1/29 (MBIA)   | 2,290,000   | 2,419,980                    |
|   |             |                              |
|   | Principal   | Market                       |
|   | Amount      | Value                        |
| MUNICIPAL BONDS (continued)   |             |                              |
| Multifamily Housing Revenue Bonds (continued)   |             |                              |
| Snowmass Village Multifamily Housing<br>Revenue (Essential-Function Housing)<br>6.25% 12/15/16 (FSA)                            | \$2,000,000 | \$ 2,008,100                 |
|   |             | -----<br>4,428,080<br>-----  |
| Municipal Lease Revenue Bonds - 17.68%  |             |                              |
| Arapahoe County Library District Certificates<br>of Participation 5.70% 12/15/10 (MBIA)   | 2,000,000   | 2,153,340                    |
| Aurora Certificates of Participation  |             |                              |

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|   |           |            |
|---|-----------|------------|
| 5.50% 12/1/30 (AMBAC)   | 2,000,000 | 2,156,340  |
| Aurora Educational Development Revenue<br>(Community College of Aurora<br>Foundation) 6.00% 10/15/15 (Connie Lee) | 1,500,000 | 1,517,760  |
| Broomfield City & County Certificates of<br>Participation 5.75% 12/1/24 (AMBAC)                                   | 1,500,000 | 1,676,520  |
| Eagle County Certificates of Participation<br>5.40% 12/1/18 (MBIA)  | 1,000,000 | 1,104,260  |
| Lakewood Certificates of Participation<br>5.375% 12/1/22 (AMBAC)  | 2,000,000 | 2,183,860  |
| Westminster Building Authority Certificates<br>of Participation 5.25% 12/1/22 (MBIA)                              | 1,555,000 | 1,670,521  |
| Westminster Certificates of Participation<br>(Ice Centre Project)<br>5.40% 1/15/23 (AMBAC)                        | 1,000,000 | 1,085,850  |
|   |           | -----      |
|   |           | 13,548,451 |
|   |           | -----      |
| Parking Revenue Bonds - 3.50%   |           |            |
| Auraria Higher Education Center Parking<br>Facilities System Revenue<br>5.50% 4/1/26 (AMBAC)                      | 2,485,000 | 2,684,421  |
|   |           | -----      |
|   |           | 2,684,421  |
|   |           | -----      |
| Political Subdivision General Obligation Bonds - 8.22%  |           |            |
| Arapahoe County Water & Wastewater<br>Public Improvement District Refunding<br>Series A 5.125% 12/1/32 (MBIA)     | 1,000,000 | 1,031,850  |
| G V R Metropolitan District<br>5.75% 12/1/19 (AMBAC)  | 1,000,000 | 1,129,450  |
| Pueblo County 5.80% 6/1/11 (MBIA)<br>Pueblo County (Library District Project)<br>5.80% 11/1/19 (AMBAC)            | 1,405,000 | 1,491,660  |
| 1,395,000   | 1,576,183 |            |
| Stonegate Village Metropolitan District<br>Refunding & Improvement<br>Series A 5.50% 12/1/21 (FSA)                | 1,000,000 | 1,070,340  |
|   |           | -----      |
|   |           | 6,299,483  |
|   |           | -----      |
| *Pre-Refunded Bonds - 14.02%  |           |            |
| Archuleta & Hinsdale Counties School<br>District #50JT 5.55% 12/1/20-10 (MBIA)                                    | 4,000,000 | 4,345,800  |
| Denver City & County Certificates of<br>Participation Series B<br>5.50% 12/1/25-06 (AMBAC)                        | 2,000,000 | 2,293,940  |
| El Paso County School District #20<br>5.625% 12/15/16-06 (AMBAC)  | 2,800,000 | 3,023,160  |
| 5.625% 12/15/16-06 (MBIA)   | 1,000,000 | 1,079,700  |
|   |           | -----      |
|   |           | 10,742,600 |
|   |           | -----      |
| School District General Obligation Bonds - 9.09%  |           |            |
| Adams & Arapahoe Counties School<br>District #28J 5.00% 12/1/22 (FSA)   | 2,000,000 | 2,110,480  |
| Adams County School District #1<br>5.00% 12/1/16 (FSA)  | 1,490,000 | 1,626,663  |

DELAWARE INVESTMENTS COLORADO INSURED MUNICIPAL INCOME FUND, INC.

STATEMENTS

OF NET ASSETS (CONTINUED)

|   | Principal<br>Amount | Market<br>Value               |
|---|---------------------|-------------------------------|
| MUNICIPAL BONDS (continued)   |                     |                               |
| School District General Obligation Bonds (continued)  |                     |                               |
| Douglas County School District #Re-1<br>(Douglas & Elbert Counties)<br>5.00% 12/15/21 (MBIA)  | \$1,000,000         | \$ 1,046,400                  |
| Larimer Weld & Boulder Counties School<br>Districts #R-2J 5.00% 12/15/15 (FSA)  | 1,950,000           | 2,187,412                     |
|   |                     | -----<br>6,970,955<br>-----   |
| Turnpike/Toll Road Revenue Bonds - 13.52%   |                     |                               |
| E-470 Public Highway Authority Series A<br>5.75% 9/1/29 (MBIA)  | 3,000,000           | 3,330,900                     |
| 5.75% 9/1/35 (MBIA)   | 1,700,000           | 1,892,763                     |
| Northwest Parkway Public Highway<br>Authority Series A 5.25% 6/15/41 (FSA)  | 5,000,000           | 5,142,100                     |
|   |                     | -----<br>10,365,763<br>-----  |
| Water & Sewer Revenue Bonds - 9.63%   |                     |                               |
| Colorado Water Resources & Power<br>Development Authority Small Water<br>Resources Revenue Series A<br>5.80% 11/1/20 (FGIC)                       | 2,000,000           | 2,266,520                     |
| Colorado Water Resources & Power<br>Development Authority Water<br>Resources Revenue (Parker Water &<br>Sanitation District) 5.125% 9/1/34 (MBIA) | 1,500,000           | 1,551,225                     |
| Lafayette Water Revenue<br>Series A 5.00% 12/1/27 (MBIA)  | 1,100,000           | 1,131,218                     |
| Ute Utility Water Conservancy District<br>Water Revenue 5.75% 6/15/20 (MBIA)  | 2,155,000           | 2,435,797                     |
|   |                     | -----<br>7,384,760<br>-----   |
| TOTAL MUNICIPAL BONDS (cost \$107,823,852)  |                     | -----<br>115,297,603<br>----- |
| TOTAL MARKET VALUE OF SECURITIES - 150.42%  |                     |                               |
| (COST \$107,823,852)  |                     | \$115,297,603                 |
| RECEIVABLES AND OTHER ASSETS NET OF LIABILITIES - 1.76%   |                     | 1,351,104                     |
| LIQUIDATION VALUE OF PREFERRED STOCK - (52.18%)   |                     | (40,000,000)                  |
|   |                     | -----                         |
| NET ASSETS APPLICABLE TO 4,837,100<br>SHARES OUTSTANDING - 100.00%  |                     | \$ 76,648,707<br>-----        |

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Net Asset Value Per Common Share  
 (\$76,648,707 / 4,837,100 Shares) \$15.85  
 -----

COMPONENTS OF NET ASSETS AT SEPTEMBER 30, 2004:

|  |               |
|--|---------------|
| Common stock, \$0.01 par value, 200 million shares<br>authorized to the Fund | \$ 67,238,110 |
| Undistributed net investment income  | 1,919,088     |
| Accumulated net realized gain on investments                                 | 17,756        |
| Net unrealized appreciation of investments                                   | 7,473,753     |
|  | -----         |
| Total net assets   | \$ 76,648,707 |
|  | -----         |

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

SUMMARY OF ABBREVIATIONS:

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

See accompanying notes

STATEMENTS OF OPERATIONS  
 DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS  
 For the Six Months Ended September 30, 2004 (Unaudited)

|  | Delaware<br>Investments<br>Minnesota<br>Municipal<br>Income<br>Fund, Inc. | Delaware<br>Investments<br>Minnesota<br>Municipal<br>Income<br>Fund II, I |
|--|---|---|
| INVESTMENT INCOME:                     |   |   |
| Interest                               | \$1,420,540   | \$ 4,316,8  |
|  | -----   | -----   |
| EXPENSES:                              |   |   |
| Management fees                        | 114,907   | 334,1   |
| Accounting and administration expenses | 42,500  | 42,5  |
| Remarketing Agent fees                 | 26,457  | 75,2  |
| Transfer agent fees and expenses       | 21,370  | 29,4  |
| Legal and Professional fees            | 14,746  | 19,7  |
| Rating Agency fees                     | 9,000   | 6,0   |
| Reports and statements to shareholders | 5,965   | 16,0  |
| Directors'/Trustees' Fees              | 4,070   | 6,0   |
| Stock Exchange Fees                    | 1,278   | 3,4   |
| Custodian fees                         | 953   | 2,2   |

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|   |            |            |
|---|------------|------------|
| Other   | 3,826      | 8,9        |
|   | -----      | -----      |
|   | 245,072    | 543,7      |
| Less expenses absorbed or waived                                  | (5,780)    | --         |
| Less expenses paid indirectly                                     | (871)      | (2,0       |
|   | -----      | -----      |
| Total expenses  | 238,421    | 541,7      |
|   | -----      | -----      |
| NET INVESTMENT INCOME   | 1,182,119  | 3,775,0    |
|   | -----      | -----      |
| NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:           |            |            |
| Net realized gain on investments                                  | 249,021    | 203,3      |
| Net change in unrealized appreciation/depreciation of investments | (560,875)  | (1,105,3   |
|   | -----      | -----      |
| NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS            | (311,854)  | (902,0     |
|   | -----      | -----      |
| DIVIDENDS ON PREFERRED STOCK                                      | (136,552)  | (379,0     |
|   | -----      | -----      |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS              | \$ 733,713 | \$ 2,494,0 |
|   | -----      | -----      |

See accompanying notes

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DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS  
 STATEMENTS For the Six Months Ended September 30, 2004 (Unaudited)  
 OF OPERATIONS (CONTINUED)

|  | Delaware<br>Investments<br>Arizona<br>Municipal<br>Income<br>Fund, Inc. | Delaware<br>Investmen<br>Florida Ins<br>Municipa<br>Income<br>Fund |
|--|---|--|
| INVESTMENT INCOME:                     |   |  |
| Interest                               | \$1,702,643   | \$ 1,521,1   |
|  | -----   | -----  |
| EXPENSES:                              |   |  |
| Management fees                        | 138,789   | 115,9  |
| Accounting and administration expenses | 42,500  | 42,5   |
| Remarketing Agent fees                 | 26,709  | 28,2   |
| Legal and Professional fees            | 17,159  | 15,1   |
| Transfer agent fees and expenses       | 15,226  | 12,7   |
| Rating Agency fees                     | 6,265   | 5,8  |
| Directors'/Trustees' Fees              | 3,918   | 4,6  |
| Reports and statements to shareholders | 3,697   | 3,9  |
| Custodian fees                         | 1,824   | 1,2  |
| Stock Exchange Fees                    | 1,570   | 1,6  |
| Other                                  | 4,471   | 2,1  |
|  | -----   | -----  |
|  | 262,128   | 234,0  |

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|   |            |          |
|---|------------|----------|
| Less expenses paid indirectly                                     | (1,374)    | (1,1     |
| Total expenses  | 260,754    | 232,9    |
| NET INVESTMENT INCOME   | 1,441,889  | 1,288,2  |
| NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:           |            |          |
| Net realized gain on investments                                  | 18,080     | 259,7    |
| Net change in unrealized appreciation/depreciation of investments | (801,804)  | (1,153,3 |
| NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS            | (783,724)  | (893,6   |
| DIVIDENDS ON PREFERRED STOCK                                      | (143,860)  | (116,2   |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS              | \$ 514,305 | \$ 278,3 |

See accompanying notes

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STATEMENTS  
OF CHANGES IN NET ASSETS

DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS

|  | Delaware<br>Investments Minnesota<br>Municipal Income<br>Fund, Inc. |                          | Inves<br>Mun                         |
|--|---|--------------------------|--------------------------------------|
|  | Six Months<br>Ended<br>9/30/04<br>(Unaudited)                       | Year<br>Ended<br>3/31/04 |                                      |
| INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS:                   |   |                          | Six Mon<br>Ended<br>9/30/<br>(Unaudi |
| Net investment income  | \$ 1,182,119  | \$ 2,592,109             | \$ 3,775                             |
| Net realized gain on investments                                     | 249,021   | 650,891                  | 203                                  |
| Net change in unrealized<br>appreciation/depreciation of investments | (560,875)   | (316,556)                | (1,105                               |
| Dividends on preferred stock   | (136,552)   | (262,664)                | (379                                 |
| Net increase in net assets resulting from operations                 | 733,713   | 2,663,780                | 2,494                                |
| DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:             |   |                          |                                      |
| Net investment income  | (1,284,377)   | (2,432,531)              | (3,807                               |
| Net realized gain on investments                                     | --  | (1,375,191)              |                                      |
|  | (1,284,377)   | (3,807,722)              | (3,807                               |
| NET INCREASE (DECREASE) IN NET ASSETS                                | (550,664)   | (1,143,942)              | (1,313                               |



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|                                     |              |              |           |
|-------------------------------------|--------------|--------------|-----------|
| NET ASSETS:                         |              |              |           |
| Beginning of period                 | 38,978,454   | 40,122,396   | 110,827   |
| End of period                       | \$38,427,790 | \$38,978,454 | \$109,514 |
| Undistributed net investment income | \$ 601,048   | \$ 805,302   | \$ 2,951  |

Delaware  
Investments Minnesota  
Municipal Income  
Fund III, Inc.

Six Months  
Ended  
9/30/04  
(Unaudited)

Year  
Ended  
3/31/04

|  |              |              |
|--|--------------|--------------|
| INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS:                   |              |              |
| Net investment income  | \$ 891,446   | \$ 1,898,759 |
| Net realized gain on investments                                     | 64,477       | 562,903      |
| Net change in unrealized<br>appreciation/depreciation of investments | (437,907)    | (350,631)    |
| Dividends on preferred stock   | (83,238)     | (152,709)    |
| Net increase in net assets resulting from operations                 | 434,778      | 1,958,322    |
| DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:             |              |              |
| Net investment income  | (881,856)    | (1,616,736)  |
| Net realized gain on investments                                     | --           | --           |
| NET INCREASE (DECREASE) IN NET ASSETS                                | (447,078)    | 341,586      |
| NET ASSETS:  |              |              |
| Beginning of period  | 26,601,180   | 26,259,594   |
| End of period  | \$26,154,102 | \$26,601,180 |
| Undistributed net investment income                                  | \$ 683,427   | \$ 758,251   |

Delaware  
Investments Arizona  
Municipal Income  
Fund, Inc.

Six Months  
Ended

Year  
Ended

Six Mon  
Ended

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|   | 9/30/04<br>(Unaudited) | 3/31/04      | 9/30/04<br>(Unaudited) |
|---|------------------------|--------------|------------------------|
| INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS:                |                        |              |                        |
| Net investment income   | \$ 1,441,889           | \$ 3,042,361 | \$ 1,288,259           |
| Net realized gain on investments                                  | 18,080                 | 315,397      | 259,259                |
| Net change in unrealized appreciation/depreciation of investments | (801,804)              | 501,711      | (1,153,161)            |
| Dividends on preferred stock                                      | (143,860)              | (271,690)    | (116,690)              |
|   | -----                  | -----        | -----                  |
| Net increase in net assets resulting from operations              | 514,305                | 3,587,779    | 278,259                |
|   | -----                  | -----        | -----                  |
| DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:          |                        |              |                        |
| Net investment income   | (1,431,456)            | (2,862,912)  | (1,235,161)            |
| Net realized gain on investments                                  | (113,324)              | (462,241)    | (1,235,161)            |
|   | -----                  | -----        | -----                  |
|   | (1,544,780)            | (3,325,153)  | (1,235,161)            |
|   | -----                  | -----        | -----                  |
| NET INCREASE (DECREASE) IN NET ASSETS                             | (1,030,475)            | 262,626      | (956,690)              |
| NET ASSETS:   |                        |              |                        |
| Beginning of period   | 46,429,378             | 46,166,752   | 39,243,161             |
|   | -----                  | -----        | -----                  |
| End of period   | \$45,398,903           | \$46,429,378 | \$38,286,690           |
|   | -----                  | -----        | -----                  |
| Undistributed net investment income                               | \$ 990,162             | \$ 1,126,683 | \$ 922,690             |
|   | -----                  | -----        | -----                  |

Delaware  
Investments Colorado  
Insured Municipal  
Income Fund, Inc.

|   | Six Months<br>Ended<br>9/30/04<br>(Unaudited) | Year<br>Ended<br>3/31/04 |
|---|---|--------------------------|
| INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS:                |   |                          |
| Net investment income   | \$ 2,493,515                                  | \$ 5,047,366             |
| Net realized gain on investments                                  | 13,768  | 223,885                  |
| Net change in unrealized appreciation/depreciation of investments | (1,111,161)                                   | 1,336,193                |
| Dividends on preferred stock                                      | (255,696)                                     | (435,224)                |
|   | -----   | -----                    |
| Net increase in net assets resulting from operations              | 1,140,426                                     | 6,172,220                |
|   | -----   | -----                    |
| DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:          |   |                          |
| Net investment income   | (2,321,808)                                   | (4,643,616)              |
| Net realized gain on investments                                  | (72,557)                                      | (614,312)                |
|   | -----   | -----                    |
|   | (2,394,365)                                   | (5,257,928)              |
|   | -----   | -----                    |
| NET INCREASE (DECREASE) IN NET ASSETS                             | (1,253,939)                                   | 914,292                  |

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|                                     |              |              |
|-------------------------------------|--------------|--------------|
| NET ASSETS:                         |              |              |
| Beginning of period                 | 77,902,646   | 76,988,354   |
|                                     | -----        | -----        |
| End of period                       | \$76,648,707 | \$77,902,646 |
|                                     | -----        | -----        |
| Undistributed net investment income | \$ 1,919,088 | \$ 2,003,077 |
|                                     | -----        | -----        |

See accompanying notes

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FINANCIAL  
HIGHLIGHTS

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

|  | Delaware Investments Minnes |           |           |
|--|-----------------------------|-----------|-----------|
|  | Six Months                  |           |           |
|  | Ended                       | 3/31/04   | 3/31/03   |
|  | 9/30/04 (6)                 |           |           |
|  | (Unaudited)                 |           |           |
| NET ASSET VALUE, BEGINNING OF PERIOD                             | \$ 15.020                   | \$ 15.460 | \$ 14.640 |
| INCOME (LOSS) FROM INVESTMENT OPERATIONS:                        |                             |           |           |
| Net investment income  | 0.456                       | 0.999     | 1.119     |
| Net realized and unrealized gain (loss) on investments           | (0.118)                     | 0.130     | 0.758     |
| Dividends on preferred stock from:                               |                             |           |           |
| Net investment income  | (0.053)                     | (0.054)   | (0.094)   |
| Net realized gain on investments                                 | --                          | (0.047)   | (0.008)   |
|  | -----                       | -----     | -----     |
| Total dividends on preferred stock                               | (0.053)                     | (0.101)   | (0.102)   |
|  | -----                       | -----     | -----     |
| Total from investment operations                                 | 0.285                       | 1.028     | 1.775     |
|  | -----                       | -----     | -----     |
| LESS DIVIDENDS AND DISTRIBUTIONS TO<br>COMMON SHAREHOLDERS FROM: |                             |           |           |
| Net investment income  | (0.495)                     | (0.938)   | (0.890)   |
| Net realized gain on investments                                 | --                          | (0.530)   | (0.065)   |
|  | -----                       | -----     | -----     |
| Total dividends and distributions                                | (0.495)                     | (1.468)   | (0.955)   |
|  | -----                       | -----     | -----     |
| NET ASSET VALUE, END OF PERIOD                                   | \$ 14.810                   | \$ 15.020 | \$ 15.460 |
|  | -----                       | -----     | -----     |
| MARKET VALUE, END OF PERIOD                                      | \$ 16.240                   | \$ 16.600 | \$ 16.000 |
|  | -----                       | -----     | -----     |
| TOTAL INVESTMENT RETURN BASED ON: (2)                            |                             |           |           |
| Market value   | 1.09%                       | 13.86%    | 17.74%    |

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|   |           |           |           |
|---|-----------|-----------|-----------|
| Net asset value   | 1.89%     | 6.62%     | 12.29%    |
| RATIOS AND SUPPLEMENTAL DATA:   |           |           |           |
| Net assets applicable to common shares, end of period<br>(000 omitted)  | \$ 38,428 | \$ 38,978 | \$ 40,122 |
| Ratio of expenses to average net assets applicable to<br>common shares(3)   | 1.27%     | 1.20%     | 1.21%     |
| Ratio of expenses to average net assets applicable to<br>common shares prior to expense limitation and expenses<br>paid indirectly  | 1.30%     | 1.20%     | 1.21%     |
| Ratio of net investment income to average net assets<br>applicable to common shares(3)  | 6.45%     | 6.57%     | 7.35%     |
| Ratio of net investment income to average net assets<br>applicable to common shares prior to expenses limitation<br>and expenses paid indirectly  | 6.42%     | 6.57%     | 7.35%     |
| Ratio of net investment income to average net assets<br>applicable to common shares net of dividends to preferred<br>shares(4)  | 5.72%     | 5.90%     | 6.68%     |
| Ratio of net investment income to average net assets<br>applicable to common shares net of dividends to preferred<br>shares prior to expense limitation and expenses paid<br>indirectly | 5.69%     | 5.90%     | 6.68%     |
| Portfolio turnover  | 18%       | 50%       | 38%       |
| LEVERAGE ANALYSIS:  |           |           |           |
| Value of preferred shares outstanding (000 omitted)   | \$ 20,000 | \$ 20,000 | \$ 20,000 |
| Net asset coverage per share of preferred shares, end<br>of period  | \$146,069 | \$147,445 | \$150,306 |
| Liquidation value per share of preferred shares(5)  | \$ 50,000 | \$ 50,000 | \$ 50,000 |

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

(2) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods. Total investment return reflects a waiver and payment of fees by the manager and distributors, as applicable. Performance would have been lower had the expense limitation not been in effect.

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- (3) Ratios do not reflect the effect of dividend payments to preferred shareholders.
- (4) Ratio reflects total net investment income less dividends paid to preferred shareholders from net investment income divided by average net assets applicable to common shareholders.
- (5) Excluding any accumulated but unpaid dividends.
- (6) Ratios and portfolio turnover have been annualized and total return has not been annualized.

The average shares outstanding method has been applied for per share information for the six months ended 9/30/04 and the year ended 3/31/04.

See accompanying notes

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FINANCIAL  
HIGHLIGHTS (CONTINUED)

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

|  | Delaware Investments Minnesota                    |           |           |
|--|---|-----------|-----------|
|  | Six Months<br>Ended<br>9/30/04 (6)<br>(Unaudited) | 3/31/04   | 3/31/03   |
| NET ASSET VALUE, BEGINNING OF PERIOD                   | \$ 15.280   | \$ 15.060 | \$ 14.280 |
| INCOME (LOSS) FROM INVESTMENT OPERATIONS:              |   |           |           |
| Net investment income                                  | 0.521   | 1.093     | 1.143     |
| Net realized and unrealized gain (loss) on investments | (0.124)   | 0.207     | 0.689     |
| Dividends on preferred stock from:                     |   |           |           |
| Net investment income                                  | (0.052)   | (0.082)   | (0.112)   |
| Total dividends on preferred stock                     | (0.052)   | (0.082)   | (0.112)   |
| Total from investment operations                       | 0.345   | 1.218     | 1.720     |
| LESS DIVIDENDS TO COMMON SHAREHOLDERS FROM:            |   |           |           |
| Net investment income                                  | (0.525)   | (0.998)   | (0.940)   |
| Total dividends  | (0.525)   | (0.998)   | (0.940)   |
| NET ASSET VALUE, END OF PERIOD                         | \$ 15.100   | \$15.280  | \$ 15.060 |
| MARKET VALUE, END OF PERIOD                            | \$ 16.150   | \$16.800  | \$ 15.300 |
| TOTAL INVESTMENT RETURN BASED ON: (2)                  |   |           |           |
| Market value   | (0.58%)   | 16.87%    | 15.84%    |

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|                 |       |       |        |
|-----------------|-------|-------|--------|
| Net asset value | 2.21% | 7.99% | 12.19% |
|-----------------|-------|-------|--------|

RATIOS AND SUPPLEMENTAL DATA:

|  |           |           |           |
|--|-----------|-----------|-----------|
| Net assets applicable to common shares, end of period<br>(000 omitted)   | \$109,514 | \$110,828 | \$109,212 |
| Ratio of expenses to average net assets applicable to<br>common shares(3)  | 1.01%     | 0.93%     | 1.03%     |
| Ratio of net investment income to average net assets<br>applicable to common shares(3)   | 7.03%     | 7.23%     | 7.74%     |
| Ratio of net investment income to average net assets<br>applicable to common shares net of dividends to preferred<br>shares(4) | 6.33%     | 6.69%     | 6.99%     |
| Portfolio turnover   | 23%       | 34%       | 22%       |

LEVERAGE ANALYSIS:

|  |           |           |           |
|--|-----------|-----------|-----------|
| Value of preferred shares outstanding (000 omitted)                | \$60,000  | \$ 60,000 | \$ 60,000 |
| Net asset coverage per share of preferred shares, end of<br>period | \$141,262 | \$142,357 | \$141,010 |
| Liquidation value per share of preferred shares(5)                 | \$ 50,000 | \$ 50,000 | \$ 50,000 |

- (1) As required, effective April 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies that require amortization of all premiums and discounts on debt securities. The effect of this change for the period ended March 31, 2002 was an increase in net investment income per share of \$0.003, a decrease in net realized and unrealized gain (loss) per share of \$0.003, and an increase in the ratio of net investment income to average net assets of 0.02%. Per share data and ratios for periods prior to April 1, 2001 have not been restated to reflect this change in accounting.
- (2) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.
- (3) Ratios do not reflect the effect of dividend payments to preferred shareholders.
- (4) Ratio reflects total net investment income less dividends paid to preferred shareholders from net investment income divided by average net assets applicable to common shareholders.
- (5) Excluding any accumulated but unpaid dividends.
- (6) Ratios and portfolio turnover have been annualized and total return has not been annualized. The average shares outstanding method has been applied for per share information for the six months ended 9/30/04 and the year ended 3/31/04.

See accompanying notes

FINANCIAL  
HIGHLIGHTS (CONTINUED)

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

|   | Delaware Investments Minnesota                    |           |           |
|---|---|-----------|-----------|
|   | Six Months<br>Ended<br>9/30/04 (6)<br>(Unaudited) | 3/31/04   | 3/31/03   |
| NET ASSET VALUE, BEGINNING OF PERIOD  | \$ 14.480   | \$ 14.290 | \$ 13.230 |
| INCOME (LOSS) FROM INVESTMENT OPERATIONS:   |   |           |           |
| Net investment income   | 0.485   | 1.034     | 1.084     |
| Net realized and unrealized gain (loss) on investments  | (0.200)   | 0.119     | 0.918     |
| Dividends on preferred stock from:  |   |           |           |
| Net investment income   | (0.045)   | (0.083)   | (0.112)   |
| Total dividends on preferred stock  | (0.045)   | (0.083)   | (0.112)   |
| Total from investment operations  | 0.240   | 1.070     | 1.890     |
| LESS DIVIDENDS TO COMMON SHAREHOLDERS FROM:   |   |           |           |
| Net investment income   | (0.480)   | (0.880)   | (0.830)   |
| Total dividends   | (0.480)   | (0.880)   | (0.830)   |
| NET ASSET VALUE, END OF PERIOD  | \$ 14.240   | \$ 14.480 | \$ 14.290 |
| MARKET VALUE, END OF PERIOD   | \$ 15.500   | \$ 16.160 | \$ 14.800 |
| TOTAL INVESTMENT RETURN BASED ON: (2)   |   |           |           |
| Market value  | (0.85%)   | 15.76%    | 20.72%    |
| Net asset value   | 1.66%   | 7.43%     | 14.53%    |
| RATIOS AND SUPPLEMENTAL DATA:   |   |           |           |
| Net assets applicable to common shares, end of period<br>(000 omitted)  | \$ 26,154   | \$ 26,601 | \$ 26,260 |
| Ratio of expenses to average net assets applicable to<br>common shares (3)  | 1.38%   | 1.23%     | 1.32%     |
| Ratio of net investment income to average net assets<br>applicable to common shares (3)   | 6.95%   | 7.20%     | 7.80%     |
| Ratio of net investment income to average net assets<br>applicable to common shares net of dividends to preferred<br>shares (4) | 6.31%   | 6.62%     | 6.99%     |
| Portfolio turnover  | 13%   | 41%       | 23%       |
| LEVERAGE ANALYSIS:  |   |           |           |
| Value of preferred shares outstanding (000 omitted)   | \$ 15,000   | \$ 15,000 | \$ 15,000 |
| Net asset coverage per share of preferred shares, end of<br>period  | \$137,180   | \$138,670 | \$137,532 |
| Liquidation value per share of preferred shares (5)   | \$ 50,000   | \$ 50,000 | \$ 50,000 |

- (1) As required, effective April 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies that require amortization of all premiums and discounts on debt securities. The effect of this change for the period ended March 31, 2002 was an increase in net investment income per share of \$0.007, a decrease in net realized and unrealized gain (loss) per share of \$0.007, and an increase in the ratio of net investment income to average net assets of 0.04%. Per share data and ratios for periods prior to April 1, 2001 have not been restated to reflect this change in accounting.
- (2) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.
- (3) Ratios do not reflect the effect of dividend payments to preferred shareholders.
- (4) Ratio reflects total net investment income less dividends paid to preferred shareholders from net investment income divided by average net assets applicable to common shareholders.
- (5) Excluding any accumulated but unpaid dividends.
- (6) Ratios and portfolio turnover have been annualized and total return has not been annualized.

The average shares outstanding method has been applied for per share information for the six months ended 9/30/04 and the year ended 3/31/04.

See accompanying notes

FINANCIAL  
HIGHLIGHTS (CONTINUED)

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

|                                      | Delaware Investments Arizon |           |           |
|--------------------------------------|-----------------------------|-----------|-----------|
|                                      | Six Months<br>Ended         |           |           |
|                                      | 9/30/04 (6)<br>(Unaudited)  | 3/31/04   | 3/31/03   |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$ 15.570                   | \$ 15.480 | \$ 14.650 |



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|  |           |           |           |
|--|-----------|-----------|-----------|
| INCOME (LOSS) FROM INVESTMENT OPERATIONS:  |           |           |           |
| Net investment income  | 0.483     | 1.020     | 1.067     |
| Net realized and unrealized gain (loss) on investments   | (0.267)   | 0.276     | 0.988     |
| Dividends on preferred stock from:   |           |           |           |
| Net investment income  | (0.048)   | (0.075)   | (0.103)   |
| Net realized gain on investments   | --        | (0.016)   | (0.018)   |
|  | -----     | -----     | -----     |
| Total dividends on preferred stock   | (0.048)   | (0.091)   | (0.121)   |
|  | -----     | -----     | -----     |
| Total from investment operations   | 0.168     | 1.205     | 1.934     |
|  | -----     | -----     | -----     |
| LESS DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:  |           |           |           |
| Net investment income  | (0.480)   | (0.960)   | (0.940)   |
| Net realized gain on investments   | (0.038)   | (0.155)   | (0.164)   |
|  | -----     | -----     | -----     |
| Total dividends and distributions  | (0.518)   | (1.115)   | (1.104)   |
|  | -----     | -----     | -----     |
| NET ASSET VALUE, END OF PERIOD   | \$ 15.220 | \$ 15.570 | \$ 15.480 |
|  | -----     | -----     | -----     |
| MARKET VALUE, END OF PERIOD  | \$ 15.240 | \$ 16.560 | \$ 15.490 |
|  | -----     | -----     | -----     |
| TOTAL INVESTMENT RETURN BASED ON:(2)   |           |           |           |
| Market value   | (4.71%)   | 14.64%    | 12.74%    |
| Net asset value  | 1.22%     | 7.86%     | 13.44%    |
| Ratios and supplemental data:  |           |           |           |
| Net assets applicable to common shares, end of period  |           |           |           |
| (000 omitted)  | \$ 45,399 | \$ 46,429 | \$ 46,167 |
| Ratio of expenses to average net assets applicable to common shares(3)   | 1.17%     | 1.05%     | 1.16%     |
| Ratio of net investment income to average net assets applicable to common shares(3)                                      | 6.46%     | 6.63%     | 6.96%     |
| Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares(4) | 5.82%     | 6.04%     | 6.18%     |
| Portfolio turnover   | 11%       | 30%       | 24%       |
| LEVERAGE ANALYSIS:   |           |           |           |
| Value of preferred shares outstanding (000 omitted)  | \$ 25,000 | \$ 25,000 | \$ 25,000 |
| Net asset coverage per share of preferred shares, end of period  | \$140,798 | \$142,858 | \$142,334 |
| Liquidation value per share of preferred shares(5)   | \$ 50,000 | \$ 50,000 | \$ 50,000 |

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

(2) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation, to be reinvested at prices obtained under

the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.

- (3) Ratios do not reflect the effect of dividend payments to preferred shareholders.
- (4) Ratio reflects total net investment income less dividends paid to preferred shareholders from net investment income divided by average net assets applicable to common shareholders.
- (5) Excluding any accumulated but unpaid dividends.
- (6) Ratios and portfolio turnover have been annualized and total return has not been annualized.

The average shares outstanding method has been applied for per share information for the six months ended 9/30/04 and the year ended 3/31/04.

See accompanying notes

FINANCIAL  
HIGHLIGHTS (CONTINUED)

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

|  | Delaware Investments Florida                      |           |           |
|--|---|-----------|-----------|
|  | Six Months<br>Ended<br>9/30/04 (6)<br>(Unaudited) | 3/31/04   | 3/31/03   |
| NET ASSET VALUE, BEGINNING OF PERIOD                   | \$ 16.200   | \$ 16.370 | \$ 15.150 |
| INCOME (LOSS) FROM INVESTMENT OPERATIONS:              |   |           |           |
| Net investment income                                  | 0.532   | 1.088     | 1.084     |
| Net realized and unrealized gain (loss) on investments | (0.364)   | (0.130)   | 1.186     |
| Dividends on preferred stock from:                     |   |           |           |
| Net investment income                                  | (0.048)   | (0.082)   | (0.109)   |
| Net realized gain on investments                       | --  | (0.005)   | --        |
|  | -----   | -----     | -----     |
| Total dividends on preferred stock                     | (0.048)   | (0.087)   | (0.109)   |
|  | -----   | -----     | -----     |
| Total from investment operations                       | 0.120   | 0.871     | 2.161     |
|  | -----   | -----     | -----     |
| LESS DIVIDENDS TO COMMON SHAREHOLDERS FROM:            |   |           |           |
| Net investment income                                  | (0.510)   | (0.995)   | (0.941)   |
| Net realized gain on investments                       | --  | (0.046)   | --        |
|  | -----   | -----     | -----     |

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|  |           |           |           |
|--|-----------|-----------|-----------|
| Total dividends  | (0.510)   | (1.041)   | (0.941)   |
|  | -----     | -----     | -----     |
| NET ASSET VALUE, END OF PERIOD   | \$ 15.810 | \$ 16.200 | \$ 16.370 |
|  | -----     | -----     | -----     |
| MARKET VALUE, END OF PERIOD  | \$ 15.630 | \$ 16.650 | \$ 15.050 |
|  | -----     | -----     | -----     |
| TOTAL INVESTMENT RETURN BASED ON: (2)  |           |           |           |
| Market value   | (2.93%)   | 18.04%    | 14.17%    |
| Net asset value  | 0.92%     | 5.59%     | 14.92%    |
| RATIOS AND SUPPLEMENTAL DATA:  |           |           |           |
| Net assets applicable to common shares, end of period<br>(000 omitted)   | \$ 38,287 | \$ 39,244 | \$ 39,651 |
| Ratio of expenses to average net assets applicable to<br>common shares(3)  | 1.22%     | 1.11%     | 1.18%     |
| Ratio of net investment income to average net assets<br>applicable to common shares(3)   | 5.55%     | 6.70%     | 6.81%     |
| Ratio of net investment income to average net assets<br>applicable to common shares net of dividends to preferred<br>shares(4) | 4.93%     | 6.16%     | 6.13%     |
| Portfolio turnover   | 10%       | 3%        | 13%       |
| LEVERAGE ANALYSIS:   |           |           |           |
| Value of preferred shares outstanding (000 omitted)  | \$ 20,000 | \$ 20,000 | \$ 20,000 |
| Net asset coverage per share of preferred shares, end of<br>period   | \$145,717 | \$148,110 | \$149,128 |
| Liquidation value per share of preferred shares(5)   | \$ 50,000 | \$ 50,000 | \$ 50,000 |

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

(2) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.

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

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

(5) Excluding any accumulated but unpaid dividends.

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(6) Ratios and portfolio turnover have been annualized and total return has not been annualized.

The average shares outstanding method has been applied for per share information for the six months ended 9/30/04 and the year ended 3/31/04.

See accompanying notes

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FINANCIAL  
HIGHLIGHTS (CONTINUED)

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

|  | Delaware Investments<br>Six Months<br>Ended<br>9/30/04 (6)<br>(Unaudited) | Colorado Insu<br>3/31/04 | 3/31/03   |
|--|---|--------------------------|-----------|
| NET ASSET VALUE, BEGINNING OF PERIOD                                   | \$ 16.110   | \$ 15.920                | \$ 14.780 |
| INCOME (LOSS) FROM INVESTMENT OPERATIONS:                              |   |                          |           |
| Net investment income  | 0.515   | 1.043                    | 1.068     |
| Net realized and unrealized gain (loss) on investments                 | (0.227)   | 0.324                    | 1.324     |
| Dividends on preferred stock from:                                     |   |                          |           |
| Net investment income  | (0.053)   | (0.077)                  | (0.098)   |
| Net realized gain on investments                                       | --  | (0.013)                  | (0.023)   |
| Total dividends on preferred stock                                     | (0.053)   | (0.090)                  | (0.121)   |
| Total from investment operations                                       | 0.235   | 1.277                    | 2.271     |
| LESS DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS<br>FROM:       |   |                          |           |
| Net investment income  | (0.480)   | (0.960)                  | (0.940)   |
| Net realized gain on investments                                       | (0.015)   | (0.127)                  | (0.191)   |
| Total dividends and distributions                                      | (0.495)   | (1.087)                  | (1.131)   |
| NET ASSET VALUE, END OF PERIOD   | \$ 15.850   | \$ 16.110                | \$ 15.920 |
| MARKET VALUE, END OF PERIOD  | \$ 17.080   | \$ 16.960                | \$ 16.650 |
| TOTAL INVESTMENT RETURN BASED ON: (2)                                  |   |                          |           |
| Market value   | 3.85%   | 8.76%                    | 21.31%    |
| Net asset value  | 1.46%   | 8.05%                    | 15.37%    |
| RATIOS AND SUPPLEMENTAL DATA:  |   |                          |           |
| Net assets applicable to common shares, end of period<br>(000 omitted) | \$ 76,649   | \$77,903                 | \$ 76,988 |
| Ratio of expenses to average net assets applicable to                  |   |                          |           |

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|  |       |       |       |
|--|-------|-------|-------|
| common shares(3)   | 1.01% | 1.01% | 1.05% |
| Ratio of net investment income to average net assets applicable to common shares(3)                                      | 5.63% | 6.54% | 6.83% |
| Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares(4) | 4.95% | 5.98% | 6.08% |
| Portfolio turnover   | 2%    | 13%   | 14%   |

LEVERAGE ANALYSIS:

|   |           |           |           |
|---|-----------|-----------|-----------|
| Value of preferred shares outstanding (000 omitted)             | \$4 0,000 | \$ 40,000 | \$ 40,000 |
| Net asset coverage per share of preferred shares, end of period | \$145,811 | \$147,379 | \$146,235 |
| Liquidation value per share of preferred shares(5)              | \$ 50,000 | \$ 50,000 | \$ 50,000 |

- (1) As required, effective April 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies that require amortization of all premiums and discounts on debt securities. This change in accounting had no effect on the Fund's results of operations for the period ended March 31, 2002. Per share data and ratios for the periods prior to April 1, 2001 have not been restated to reflect this change in accounting.
- (2) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.
- (3) Ratios do not reflect the effect of dividend payments to preferred shareholders.
- (4) Ratio reflects total net investment income less dividends paid to preferred shareholders from net investment income divided by average net assets applicable to common shareholders.
- (5) Excluding any accumulated but unpaid dividends.
- (6) Ratios and portfolio turnover have been annualized and total return has not been annualized.

The average shares outstanding method has been applied for per share information for the six months ended 9/30/04 and the year ended 3/31/04.

See accompanying notes

DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS  
 NOTES  
 TO FINANCIAL STATEMENTS  
 September 30, 2004 (Unaudited)

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

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

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

#### 1. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

**Use of Estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Other** - Expenses common to all funds within the Delaware Investments Family of Funds are allocated amongst the Funds on the basis of average net assets. Management fees and some other expenses are paid monthly. Security transactions are recorded on the date the securities are purchased or sold (trade date). Costs used in calculating realized gains and losses on the sale of investment securities are those of the specific securities sold. Interest income is recorded on the accrual basis. Discounts and premiums are amortized to interest income over the lives of the respective securities. Each Fund declares and pays dividends from net investment income monthly and distributions from net realized gain on investments, if any, annually.

In addition, in order to satisfy certain distribution requirements of the Tax Reform Act of 1986, the Funds may declare special year-end dividend and capital gains distributions during November or December to shareholders of record on a date in such month. Such distributions, if received by shareholders by January

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31, are deemed to have been paid by the Funds and received by shareholders on the earlier of the date paid for December 31 of the prior year.

Expenses Paid Indirectly - The Funds may receive earnings credits from their custodian when positive cash balances are maintained, which are used to offset custody fees. The expenses paid under the above arrangement is included in the custodian fees on the Statement of Operations with the corresponding expense offset shown as "expenses paid indirectly." The amount of this expense for the six months ended September 30, 2004, were as follows:

|                  | Minnesota<br>Municipal<br>Fund I<br>----- | Minnesota<br>Municipal<br>Fund II<br>----- | Minnesota<br>Municipal<br>Fund III<br>----- | Arizona<br>Municipal<br>Fund<br>----- | Florida I<br>Municipal<br>Fund<br>----- |
|------------------|---|--|---|---------------------------------------|---|
| Earnings Credits | \$871                                     | \$2,017                                    | \$677                                       | \$1,374                               | \$1,10                                  |

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

In accordance with the terms of its respective investment management agreement, each Fund pays Delaware Management Company (DMC), a series of Delaware Management Business Trust and the investment manager, an annual fee of 0.40% which is calculated daily based on the average daily net assets of each Fund, including assets attributable to any preferred stock that may be outstanding.

As of September 1, 2004, DMC has contractually agreed to waive that portion, if any, of its management fee and reimburse the Minnesota Municipal Fund to the extent necessary to ensure that annual operating expenses, exclusive of taxes, interest, brokerage commissions, distribution fees, certain insurance costs and extraordinary expenses, do not exceed 0.72% of average daily net assets of the Fund, including assets attributable to any preferred stock that may be outstanding, through March 31, 2005.

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

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NOTES DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS TO FINANCIAL STATEMENTS (CONTINUED)

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

At September 30, 2004, the Funds had liabilities payable to affiliates as follows:

|   | Minnesota<br>Municipal<br>Fund I<br>----- | Minnesota<br>Municipal<br>Fund II<br>----- | Minnesota<br>Municipal<br>Fund III<br>----- | Arizona<br>Municipal<br>Fund<br>----- |
|---|---|--|---|---------------------------------------|
| Investment management fee payable to DMC  | \$19,464                                  | \$56,454                                   | \$13,708                                    | \$23,453                              |
| Dividend disbursing, transfer agent,<br>accounting and administration fees<br>and other expenses payable to DSC | 7,965                                     | 9,598                                      | 5,641                                       | 8,122                                 |
| Other expenses payable to DMC and affiliates*   | 5,118                                     | 10,509                                     | 3,026                                       | 3,865                                 |

\*DMC, as part of its administrative services, pays operating expenses on behalf

of the Funds and is reimbursed on a periodic basis. Such expenses include items such as printing of shareholder reports, fees for audit, legal and tax services, registration fees, and trustees' fees.

As provided in the investment management agreement, the Funds bear the cost of certain legal service expenses, including in-house legal services provided to the Funds by DMC employees. For the six months ended September 30, 2004, the Delaware Investments Minnesota Municipal Income Fund, Delaware Investments Minnesota Municipal Income Fund II, Delaware Investments Minnesota Municipal Income Fund III, Delaware Investments Arizona Municipal Income Fund, Delaware Investments Florida Insured Municipal Income Fund, and Delaware Investments Colorado Insured Municipal Income Fund had costs of \$150, \$500, \$168, \$229, \$179, and \$428, respectively.

During the six months ended September 30, 2004 Robert Collins was appointed as a co-portfolio manager for the Funds, and he worked with the existing portfolio managers in making day to day investment decisions for the Funds. Certain officers of DMC and DSC are officers, and/or directors/trustees of the Funds. These officers and directors/trustees are paid no compensation by the Funds.

3. INVESTMENTS

For the six months ended September 30, 2004 the Funds made purchases and sales of investment securities as follows:

|           | Minnesota<br>Municipal<br>Fund I | Minnesota<br>Municipal<br>Fund II | Minnesota<br>Municipal<br>Fund III | Arizona<br>Municipal<br>Fund | Flo |
|-----------|----------------------------------|-----------------------------------|------------------------------------|------------------------------|-----|
| Purchases | \$5,065,817                      | \$18,505,363                      | \$2,663,654                        | \$4,222,002                  | \$  |
| Sales     | 5,632,145                        | 19,751,500                        | 2,890,000                          | 3,753,052                    |     |

At September 30, 2004, the cost of investments for federal income tax purposes has been estimated since the final tax characteristics cannot be determined until fiscal year end. At September 30, 2004, the cost of investments and unrealized appreciation (depreciation) for each Fund were as follows:

|                                   | Minnesota<br>Municipal<br>Fund I | Minnesota<br>Municipal<br>Fund II | Minnesota<br>Municipal<br>Fund III | Arizona<br>Municipal<br>Fund | F |
|-----------------------------------|----------------------------------|-----------------------------------|------------------------------------|------------------------------|---|
| Cost of investments               | \$55,858,033                     | \$159,850,644                     | \$38,711,216                       | \$65,487,993                 |   |
| Aggregate unrealized appreciation | \$ 2,485,340                     | \$ 7,844,793                      | \$ 2,131,536                       | \$ 3,657,483                 |   |
| Aggregate unrealized depreciation | (103,799)                        | (368,787)                         | (42,842)                           | (112,104)                    |   |
| Net unrealized appreciation       | \$ 2,381,541                     | \$ 7,476,006                      | \$ 2,088,694                       | \$ 3,545,379                 |   |

4. DIVIDEND AND DISTRIBUTION INFORMATION

Income and long-term capital gain distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States. Tax information for the six months ended September 30, 2004 is an estimate and the tax character of dividends and distributions may be redesignated at fiscal year end. The tax character of dividends and distributions paid during the six months ended September 30, 2004, and the year ended March 31, 2004, were as follows:



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|                        | Minnesota Municipal Fund |             | Minnesota Municipal Fund III |
|------------------------|--------------------------|-------------|------------------------------|
|                        | 9/30/04                  | 3/31/04     | 9/30/04                      |
| Tax-exempt income      | \$1,420,929              | \$2,538,026 | \$4,186,443                  |
| Ordinary income        | --                       | 122,453     | --                           |
| Long-term capital gain | --                       | 1,409,907   | --                           |
| Total                  | \$1,420,929              | \$4,070,386 | \$4,186,443                  |

  

|                        | Minnesota Municipal Fund III |             | Arizona Municipal Fund |
|------------------------|------------------------------|-------------|------------------------|
|                        | 9/30/04                      | 3/31/04     | 9/30/04                |
| Tax-exempt income      | \$965,094                    | \$1,750,401 | \$1,575,316            |
| Ordinary Income        | --                           | 19,044      | 77,537                 |
| Long-term capital gain | --                           | --          | 35,787                 |
| Total                  | \$965,094                    | \$1,769,445 | \$1,688,640            |

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DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS

NOTES

TO FINANCIAL STATEMENTS (CONTINUED)

4. DIVIDEND AND DISTRIBUTION INFORMATION (CONTINUED)

|                        | Florida Insured Municipal Fund |             | Colorado Insured Municipal Fund |
|------------------------|--------------------------------|-------------|---------------------------------|
|                        | 9/30/04                        | 3/31/04     | 9/30/04                         |
| Tax-exempt income      | \$1,351,558                    | \$2,608,022 | \$2,577,504                     |
| Ordinary Income        | --                             | --          | 14,511                          |
| Long-term capital gain | --                             | 123,426     | 58,046                          |
| Total                  | \$1,351,558                    | \$2,731,448 | \$2,650,061                     |

As of September 30, 2004, the components of net assets on a tax basis were as follows:

|  | Minnesota Municipal Fund | Minnesota Municipal Fund III |
|--|--------------------------|------------------------------|
| Paid in capital                        | \$35,426,619             | \$99,710,000                 |
| Undistributed tax-exempt income        | 601,048                  | 2,951,972                    |
| Undistributed long-term gains (loss)   | 18,582                   | --                           |
| Capital loss carry forward             | --                       | (623,509)                    |
| Unrealized appreciation (depreciation) | 2,381,541                | 7,476,006                    |
| Net assets                             | \$38,427,790             | \$109,514,469                |

|  | Arizona Municipal Fund | Florida Insured Municipal Fund |
|--|------------------------|--------------------------------|
| Paid in capital                        | \$40,838,893           | \$33,361,389                   |
| Undistributed tax-exempt income        | 990,162                | 922,679                        |
| Undistributed ordinary income          | 24,469                 | --                             |
| Undistributed long-term gains (loss)   | --                     | 259,712                        |
| Unrealized appreciation (depreciation) | 3,545,379              | 3,742,902                      |
| Net assets                             | \$45,398,903           | \$38,286,682                   |

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

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

For financial reporting purposes, capital accounts and distributions to shareholders are adjusted to reflect the tax character of permanent book/tax differences. For the six months ended September 30, 2004, the Funds recorded an estimate of these differences since the final tax characteristics cannot be determined until fiscal year end. Reclassifications are primarily due to tax treatment of market discount and premium on certain debt instruments. Results of operations and net assets were not affected by these reclassifications.

|  | Minnesota Municipal Fund | Minnesota Municipal Fund II | Minnesota Municipal Fund III | Ar<br>Mun<br>F |
|--|--------------------------|-----------------------------|------------------------------|----------------|
| Undistributed net investment income (loss) | (\$34,566)               | (\$4,878)                   | \$1,176                      | \$3            |
| Accumulated realized gain (loss)           | 34,566                   | 4,878                       | (1,176)                      | (3)            |

#### 5. CAPITAL STOCK

Pursuant to their articles of incorporation, Minnesota Municipal Fund, Minnesota Municipal Fund II, Minnesota Municipal Fund III, Arizona Municipal Fund and Colorado Insured Municipal Fund each have 200 million shares of \$0.01 par value common shares authorized. Florida Insured Municipal Fund has been authorized to issue an unlimited amount of \$0.01 par value common shares. The Funds did not repurchase any shares under the Share Repurchase Program during the period ending September 30, 2004. Shares issuable under the Fund's dividend reinvestment plan are purchased by the Fund's transfer agent, Mellon Investor Services, LLC, in the open market.

The Funds each have one million shares of \$0.01 par value preferred shares authorized, except for Florida Insured Municipal Fund, which has an unlimited amount of \$0.01 par value preferred shares authorized. Under resolutions adopted by the Board of Directors/Trustees, Minnesota Municipal Fund is allowed to issue up to 400 preferred shares, of which the entire amount was issued on August 6, 1992. On May 14, 1993, Minnesota Municipal Fund II, Arizona Municipal Fund and Florida Insured Municipal Fund issued 1,200, 500 and 400 preferred shares, respectively. On December 10, 1993, Minnesota Municipal Fund III issued 300

preferred shares and on September 23, 1993, Colorado Insured Municipal Fund issued 800 preferred shares. The preferred shares of each Fund have a liquidation preference of \$50,000 per share plus an amount equal to accumulated but unpaid dividends.

DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS

NOTES  
TO FINANCIAL STATEMENTS (CONTINUED)

5. CAPITAL STOCK (CONTINUED)

Dividends for the outstanding preferred shares of each Fund are cumulative at a rate established at the initial public offering and are typically reset every 28 days based on the results of an auction. Dividend rates (adjusted for any capital gain distributions) ranged during the period ended September 30, 2004 as follows:

| Fund                            | Low   | High     |
|---------------------------------|-------|----------|
| ----                            | ----- | -----    |
| Minnesota Municipal Fund        | 1.02% | to 1.45% |
| Minnesota Municipal Fund II     | 1.00% | to 1.50% |
| Minnesota Municipal Fund III    | 1.05% | to 1.30% |
| Arizona Municipal Fund          | 0.95% | to 1.55% |
| Florida Insured Municipal Fund  | 0.95% | to 1.45% |
| Colorado Insured Municipal Fund | 0.97% | to 2.00% |

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

Under the 1940 Act, the Funds may not declare dividends or make other distributions on common shares or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding preferred stock is less than 200%. The preferred shares are redeemable at the option of the Funds, in whole or in part, on any dividend payment date at \$50,000 per share plus any accumulated but unpaid dividends whether or not declared. The preferred shares are also subject to mandatory redemption at \$50,000 per share plus any accumulated but unpaid dividends whether or not declared, if certain requirements relating to the composition of the assets and liabilities of each Fund are not satisfied. The holders of preferred shares have voting rights equal to the holders of common shares (one vote per share) and will vote together with holders of common shares as a single class. However, holders of preferred shares are also entitled to elect two of each Fund's Directors. In addition, the 1940 Act requires that along with approval by shareholders that might otherwise be required, the approval of the holders of a majority of any outstanding preferred shares, voting separately as a class, would be required to (a) adopt any plan of reorganization that would adversely affect the preferred shares, and (b) take any action requiring a vote of security holders pursuant of Section 13(a) of the 1940 Act, including, among other things, changes in each of the Fund's subclassification as a closed-end investment company or changes in their fundamental investment restrictions.

6. CREDIT AND MARKET RISKS

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

The Funds may invest in inverse floating rate securities ("inverse floaters"), a type of derivative tax-exempt obligation with floating or variable interest rates that move in the opposite direction of short-term interest rates, usually at an accelerated speed. Consequently, the market values of inverse floaters will generally be more volatile than other tax-exempt investments. Such securities are denoted on the Statements of Net Assets.

7. CONTRACTUAL OBLIGATIONS

The Fund enters into contracts that contain a variety of indemnifications. The Funds' maximum exposure under these arrangements is unknown. However, the Funds have not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

8. TAX INFORMATION

The information set forth is for the Funds' semi-annual period as required by federal laws. Shareholders, however, must report distributions on a calendar year basis for income tax purposes, which may include distributions for portions of two fiscal years of the fund. Accordingly, the information needed by shareholders for income tax purposes will be sent to them in January of each year. Please consult your tax advisor for proper treatment of this information. The information presented below is subject to change since final tax characteristics cannot be determined until fiscal year end.

For the six months ended September 30, 2004, each Fund designates as long-term capital gains, ordinary income, and tax-exempt income distributions paid during the year as follows:

|                                 | Long-Term<br>Capital Gains<br>Distributions | Ordinary<br>Income<br>Distributions | Tax<br>Exempt<br>Income | Total<br>Distributi<br>(Tax Basi |
|---------------------------------|---|-------------------------------------|-------------------------|----------------------------------|
| Minnesota Municipal Fund        | --  | --                                  | 100%                    | 100%                             |
| Minnesota Municipal Fund II     | --  | --                                  | 100%                    | 100%                             |
| Minnesota Municipal Fund III    | --  | --                                  | 100%                    | 100%                             |
| Arizona Municipal Fund          | 2%  | 5%                                  | 93%                     | 100%                             |
| Florida Insured Municipal Fund  | --  | --                                  | 100%                    | 100%                             |
| Colorado Insured Municipal Fund | 2%  | 1%                                  | 97%                     | 100%                             |

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Delaware Investments Minnesota Municipal Income Fund II, Inc., Delaware Investments Minnesota Municipal Income Fund III, Inc., Delaware Investments Arizona Municipal Income Fund, Inc., Delaware Investments Florida Insured Municipal Income Fund, and Delaware Investments Colorado Insured Municipal Income Fund, Inc. voted on the following proposals at the annual meeting of shareholders held on August 19, 2004. The description of each proposal and number of share voted are as follows:

|  | Common Shareholders |                  |                  |
|--|---------------------|------------------|------------------|
|  | Shares              | Shares           | Shares           |
|  | Voted<br>For        | Voted<br>Against | Voted<br>Abstain |
| <b>DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND, INC:</b>  |                     |                  |                  |
| 1. To elect the Fund's Board of Directors/Trustees:  |                     |                  |                  |
| Jude T. Driscoll   | 2,310,849           | 58,498           | --               |
| Walter P. Babich   | 2,309,403           | 59,944           | --               |
| John H. Durham   | 2,311,570           | 57,777           | --               |
| John A. Fry  | 2,311,137           | 58,210           | --               |
| Anthony D. Knerr   | 2,311,570           | 57,777           | --               |
| Ann R. Leven   | 2,311,787           | 57,560           | --               |
| Thomas F. Madison  | N/A                 | N/A              | N/A              |
| Janet L. Yeomans   | N/A                 | N/A              | N/A              |
| 2. To reduce the number of accountant's certificates the Fund must provide in connection with its preferred shares, which shall include an amendment to the Fund's Article of Incorporation. | 2,261,502           | 40,857           | 66,988           |
| <b>DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND II, INC:</b>   |                     |                  |                  |
| 1. To elect the Fund's Board of Directors/Trustees:  |                     |                  |                  |
| Jude T. Driscoll   | 6,513,487           | 152,513          | --               |
| Walter P. Babich   | 6,491,251           | 174,749          | --               |
| John H. Durham   | 6,510,851           | 155,149          | --               |
| John A. Fry  | 6,513,421           | 152,579          | --               |
| Anthony D. Knerr   | 6,511,563           | 154,437          | --               |
| Ann R. Leven   | 6,517,596           | 148,404          | --               |
| Thomas F. Madison  | N/A                 | N/A              | N/A              |
| Janet L. Yeomans   | N/A                 | N/A              | N/A              |
| 2. To reduce the number of accountant's certificates the Fund must provide in connection with its preferred shares, which shall include an amendment to the Fund's Article of Incorporation. | 6,431,372           | 107,241          | 127,387          |
| <b>DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III, INC:</b>  |                     |                  |                  |
| 1. To elect the Fund's Board of Directors/Trustees:  |                     |                  |                  |
| Jude T. Driscoll   | 1,622,958           | 51,656           | --               |
| Walter P. Babich   | 1,619,370           | 55,244           | --               |
| John H. Durham   | 1,622,958           | 51,656           | --               |
| John A. Fry  | 1,622,958           | 51,656           | --               |
| Anthony D. Knerr   | 1,622,958           | 51,656           | --               |
| Ann R. Leven   | 1,622,958           | 51,656           | --               |
| Thomas F. Madison  | N/A                 | N/A              | N/A              |
| Janet L. Yeomans   | N/A                 | N/A              | N/A              |
| 2. To reduce the number of accountant's certificates the Fund must provide in connection with its preferred shares, which shall include an amendment to the Fund's Article of Incorporation. | 1,598,811           | 43,773           | 32,030           |

DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS

PROXY

RESULTS (UNAUDITED) (CONTINUED)

|  | Common Shareholders    |                            |                            |
|--|------------------------|----------------------------|----------------------------|
|  | Shares<br>Voted<br>For | Shares<br>Voted<br>Against | Shares<br>Voted<br>Abstain |
| <b>DELAWARE INVESTMENTS ARIZONA MUNICIPAL INCOME FUND, INC:</b>  |                        |                            |                            |
| 1. To elect the Fund's Board of Directors/Trustees:  |                        |                            |                            |
| Jude T. Driscoll   | 2,650,527              | 40,113                     | --                         |
| Walter P. Babich   | 2,649,227              | 41,413                     | --                         |
| John H. Durham   | 2,652,077              | 38,563                     | --                         |
| John A. Fry  | 2,651,377              | 39,263                     | --                         |
| Anthony D. Knerr   | 2,651,227              | 39,413                     | --                         |
| Ann R. Leven   | 2,647,677              | 42,963                     | --                         |
| Thomas F. Madison  | N/A                    | N/A                        | N/A                        |
| Janet L. Yeomans   | N/A                    | N/A                        | N/A                        |
| 2. To reduce the number of accountant's certificates the Fund must provide in connection with its preferred shares, which shall include an amendment to the Fund's Article of Incorporation. | 2,577,037              | 53,400                     | 60,203                     |
| <b>DELAWARE INVESTMENTS FLORIDA INSURED MUNICIPAL INCOME FUND:</b>   |                        |                            |                            |
| 1. To elect the Fund's Board of Directors/Trustees:  |                        |                            |                            |
| Jude T. Driscoll   | 2,277,244              | 22,361                     | --                         |
| Walter P. Babich   | 2,277,185              | 22,420                     | --                         |
| John H. Durham   | 2,276,937              | 22,668                     | --                         |
| John A. Fry  | 2,278,519              | 21,086                     | --                         |
| Anthony D. Knerr   | 2,278,437              | 21,168                     | --                         |
| Ann R. Leven   | 2,278,185              | 21,420                     | --                         |
| Thomas F. Madison  | N/A                    | N/A                        | N/A                        |
| Janet L. Yeomans   | N/A                    | N/A                        | N/A                        |
| 2. To reduce the number of accountant's certificates the Fund must provide in connection with its preferred shares, which shall include an amendment to the Fund's Article of Incorporation. | 2,230,774              | 46,550                     | 22,281                     |
| <b>DELAWARE INVESTMENTS COLORADO INSURED MUNICIPAL INCOME FUND, INC.:</b>  |                        |                            |                            |
| 1. To elect the Fund's Board of Directors/Trustees:  |                        |                            |                            |
| Jude T. Driscoll   | 4,266,769              | 54,572                     | --                         |
| Walter P. Babich   | 4,266,444              | 54,897                     | --                         |
| John H. Durham   | 4,270,647              | 50,694                     | --                         |
| John A. Fry  | 4,270,669              | 50,672                     | --                         |
| Anthony D. Knerr   | 4,271,747              | 49,594                     | --                         |
| Ann R. Leven   | 4,271,949              | 49,391                     | --                         |
| Thomas F. Madison  | N/A                    | N/A                        | N/A                        |

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Janet L. Yeomans

N/A

N/A

N/A

2. To reduce the number of accountant's certificates the Fund must provide in connection with its preferred shares, which shall include an amendment to the Fund's Article of Incorporation.

4,156,683

70,073

94,585

34

Delaware  
Investments (SM)

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A member of Lincoln Financial Group(R)

This semiannual report is for the information of Delaware Investments Closed-End Municipal Bond Funds shareholders. The return and principal value of an investment in each Fund will fluctuate so that shares, when resold, may be worth more or less than their original cost. Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that each Fund may, from time-to-time, purchase shares of its common stock on the open market at market prices.

Board of Trustees

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Delaware Investments Family of Funds  
Philadelphia, PA

WALTER P. BABICH  
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Philadelphia, PA

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NUMBER O  
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President and Chief Executive Officer  
MLM Partners, Inc.  
Minneapolis, MN

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

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

Each Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. Each Fund's Forms N-Q, as well as a description of the policies and procedures that each Fund uses to determine how to vote proxies (if any) relating to portfolio securities is available without charge (i) upon request, by calling 800 523-1918; (ii) on each Fund's Web site at <http://www.delawareinvestments.com>; and (iii) on the Commission's Web site at <http://www.sec.gov>. Each Fund's Forms N-Q may be reviewed and copied at the Commission's Public Reference Room in Washington, DC; information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Information (if any) regarding how each Fund voted proxies relating to portfolio securities during the most recently disclosed 12-month period ended June 30 is available without charge (i) through each Fund's Web site at <http://www.delawareinvestments.com>; and (ii) on the Commission's Web site at <http://www.sec.gov>.

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Item 2. Code of Ethics

Not applicable.

Item 3. Audit Committee Financial Expert

Not applicable.

Item 4. Principal Accountant Fees and Services

Not applicable.

Item 5. Audit Committee of Listed Registrants

Not applicable.

Item 6. Schedule of Investments

Minnesot  
Minnesot  
Arizona  
Florida  
Colorado  
Income



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

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

Not applicable.

Item 8. Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers

Not applicable.

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

Not applicable.

Item 10. Controls and Procedures

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

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

Item 11. Exhibits

(a) (1) Code of Ethics

Not applicable.

(2) Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Rule 30a-2 under the Investment Company Act of 1940 are attached hereto as Exhibit 99.CERT.

(3) Written solicitations to purchase securities pursuant to Rule 23c-1 under the Securities Exchange Act of 1934.

Not applicable.

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 are furnished herewith as Exhibit 99.906CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf, by the undersigned, thereunto duly authorized.

NAME OF REGISTRANT: Delaware Investments Minnesota Municipal Income Fund III, Inc.

JUDE T. DRISCOLL

-----  
By: Jude T. Driscoll

-----  
Title: Chairman

Date: 11/29/04  
-----

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

JUDE T. DRISCOLL

-----  
By: Jude T. Driscoll

-----  
Title: Chairman

Date: 11/29/04  
-----

JOSEPH H. HASTINGS

-----  
By: Joseph H. Hastings

-----  
Title: Chief Financial Officer

Date: 11/29/04  
-----