

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

Delaware Investments National Municipal Income Fund
Form N-CSR
June 03, 2011

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: 811-07410

Exact name of registrant as specified in charter:
Delaware Investments® National Municipal Income Fund

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

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

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

Date of fiscal year end: March 31

Date of reporting period: March 31, 2011

Item 1. Reports to Stockholders

Annual Report

Delaware
Investments
Closed-End
Municipal Bond
Funds

March 31, 2011

The figures in the annual report for Delaware Investments Closed-End Municipal Bond Funds represent past results, which are not a guarantee of future results. A rise or fall in interest rates can have a significant impact on bond prices. Funds that invest in bonds can lose their value as interest rates rise.

Closed-end funds

Table of contents

> Portfolio management review	1
> Fund basics	4
> Sector/State allocations	5
> Statements of net assets	7
> Statements of operations	21
> Statements of changes in net assets	22
> Financial highlights	23
> Notes to financial statements	27
> Report of independent registered public accounting firm	34
> Other Fund information	35
> Board of trustees/directors and officers addendum	39
> About the organization	42

Delaware Management Holdings, Inc., and its subsidiaries (collectively known by the marketing name of Delaware Investments) are wholly owned subsidiaries of Macquarie Group Limited, a global provider of banking, financial, advisory, investment and funds management services. For more information, including press releases, please visit www.delawareinvestments.com.

Unless otherwise noted, views expressed herein are current as of March 31, 2011, and subject to change. Information is as of the date indicated and subject to change.

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. Delaware Investments, a member of Macquarie Group, refers to Delaware Management Holdings, Inc. and its subsidiaries. Macquarie Group refers to Macquarie Group Limited and its subsidiaries and affiliates worldwide.

Investments in Delaware Investments Closed-End Municipal Bond Funds are not and will not be deposits with or liabilities of Macquarie Bank Limited ABN 46 008 583 542 and its holding companies, including their subsidiaries or related companies (Macquarie Group), and are subject to investment risk, including possible

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

delays in repayment and loss of income and capital invested. No Macquarie Group company guarantees or will guarantee the performance of the Funds, the repayment of capital from the Funds, or any particular rate of return.

© 2011 Delaware Management Holdings, Inc.

All third-party trademarks cited are the property of their respective owners.

Portfolio management review

Delaware Investments Closed-End Municipal Bond Funds

April 12, 2011

Performance preview

The fiscal year ended March 31, 2011 was generally volatile for the Funds (and for investors in tax-exempt debt in general). Municipal bonds were under considerable selling pressure during the later parts of the fiscal year, driven primarily by fears about the credit worthiness of the municipal bond market, as well as technical developments that affected bond supply. Despite a fiscal year that ended in a flurry of headwinds, municipal bonds posted a cumulative gain of slightly more than 1.5% for the period (as measured by the Barclays Capital Municipal Bond Index).

National economic environment

During the fiscal year, the U.S. economy continued to emerge from its biggest downturn in seven decades, albeit relatively slowly. As the Funds' fiscal year got under way, U.S. economic growth softened, with gross domestic product (a measure of the economy's production of goods and services) slipping from an annualized rate of 3.7% in the first quarter of 2010 to just 1.7% in the second quarter. The grim economic situation was reflected in the national unemployment rate, which stood at 9.7% at the start of the fiscal year.

Several factors contributed to sluggish economic performance, among them:

- Many investors focused their attention on the high levels of sovereign debt across the developed world (and particularly in Greece), fearing that reductions in government spending could exacerbate declining economic growth.
- The U.S. housing market's glut of supply continued to weigh on home prices in many parts of the country.
- State and local governments, whose spending makes up a sizeable component of GDP, largely cut back expenditures to meet big budget shortfalls.

GDP data moderately improved as the fiscal year went on, with the economy growing at an annual rate of 2.6% in the third quarter of 2010 and 2.8% in the final three months of that year. The employment picture, while still generally challenging, began to improve as well, finishing the Funds' fiscal year at 8.9%.

Data: Bloomberg, Lipper, U.S. Department of Commerce

Municipal market trends

For the first two quarters of the Funds' fiscal year, the municipal bond market enjoyed relatively strong performance, echoing the positive trends of 2009. The municipal bond market benefited from several factors, including:

- Low inflation and declining interest rates provided a generally favorable climate for fixed-income securities.
- The popular Build America Bond (BAB) program continued to divert supply away from the traditional tax-exempt bond market and toward the taxable bond market.
- In this environment of reduced supply of tax-exempt securities, demand remained strong, especially for lower-rated, higher-yielding issues.

In November 2010, conditions in the tax-exempt bond market deteriorated suddenly, as many investors became increasingly concerned about the potential for inflation to put downward pressure on bond prices. Concerns were heightened by several developments, including the Federal Reserve's announcement that it would engage in another round of quantitative easing, in which it plans to purchase \$600 billion of Treasury securities, in order to further spur economic growth.

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

Meanwhile, several other events inhibited the municipal bond market:

- With the BAB program facing expiration at the end of 2010, many investors realized that supply of tax-exempt bonds could potentially increase markedly.
- Negative sentiment grew about the fiscal health of state and local governments.

(continues) 1

Portfolio management review

Delaware Investments Closed-End Municipal Bond Funds

- Significant gains in the number of Republican seats in Congress led many investors to envision a less friendly environment for federal aid to help states manage their budget challenges.
- An extension of Bush-era tax cuts led some investors to view the tax advantage of municipal bonds less favorably.

This confluence of factors precipitated dramatic investment outflows from municipal bond funds in the final months of 2010 and early 2011, reversing the tremendous inflows seen during the market's run-up in much of 2010. In turn, these outflows put downward pressure on municipal bond prices.

Fund positioning

When the Funds' fiscal year began, we maintained a modest emphasis on lower-rated, longer-dated securities, using our research capabilities to help identify those securities we believed offered good value relative to their risk. This approach generally worked well; within each of the Funds, these types of securities generally added to performance.

Unfortunately, this approach hampered the Funds' returns relative to their benchmark index when market conditions deteriorated in the final months of the fiscal year. As investors' confidence in the tax-exempt bond market generally waned, securities with heightened credit risk (such as lower-rated bonds) or interest-rate risk (namely, bonds with longer maturity dates) underperformed their higher-rated, shorter-dated counterparts.

As the Funds' fiscal year came to a close, we faced the need to make a decision about current market conditions — whether to treat them as a passing storm or as a fundamental change that warranted a shift in approach. We concluded that the increased volatility in the municipal bond environment at least required us to position the Funds somewhat more conservatively. This resulted in an increased focus on intermediate-maturity bonds with higher credit ratings, and a reduction of exposure to longer-dated, lower-rated bonds where appropriate.

Performance effects

Our conservative positioning was consistent with our overall philosophy of managing the Funds with an emphasis on preserving principal. We were willing to be somewhat more conservative than some other municipal bond managers (perhaps sacrificing a bit of performance potential) in an attempt to avoid greater losses during particularly difficult market downturns.

On an individual security basis, the Funds often saw good results from the types of bonds that outperformed for the fiscal year; namely, bonds with shorter maturities and relatively higher credit ratings. Within Delaware Investments Arizona Municipal Income Fund, Inc., for instance, bonds with relatively shorter maturities led the way, including bonds issued by the University of Arizona (maturing in 2018) as well as housing bonds issued by the City of Phoenix (maturing in 2020).

Leading contributors also included prerefunded bonds, which are very high-quality, short-duration bonds. (When a bond is prerefunded, the issuer has secured the bond's principal value by holding some type of risk-free asset — typically Treasuries — in an escrow account). Within Delaware Investments Colorado Municipal Income Fund, Inc., prerefunded bonds issued by the University of Denver and by the Denver Convention Center Hotel Authority were among the Fund's leading contributors.

Similar to the Colorado Fund, Delaware Investments Minnesota Municipal Income Fund II, Inc. benefited from holdings in prerefunded bonds that raised money for civic projects, as bonds for the St. Paul civic center were among its strongest contributors.

Leading contributors within Delaware Investments National Municipal Income Fund included bonds issued in New York that were backed by American Airlines (in an arrangement commonly known as an industrial development revenue bond) and an energy bond issued in Iowa by the state's Authority for Interstate Power. Both bonds advanced by more than 5%.

Across all four Funds, the weakest contributors to overall return included bonds issued by the Commonwealth of Puerto Rico. These bonds, which are widely held and are highly liquid, came under tremendous selling pressure during the last half of the Funds' fiscal year. In a sense, the characteristics that make Puerto Rico bonds desirable were the very characteristics that worked against them: They became the instrument of choice for municipal bond investors seeking to raise cash. (This was particularly true for mutual fund managers who needed to satisfy investor redemptions.) The resulting decline in bond prices was widespread and difficult to control, and it was a good example of the dislocation that municipal markets were suffering through.

As in prior reporting periods, we continued to follow our basic investment philosophy and management approach. We believe successful municipal bond investing requires rigorous credit analysis. In our opinion, there is no substitute for thorough credit research. On a bond-by-bond basis, we scrutinize each security we include in the Funds to help ensure our comfort level with its financial position and to feel confident that, in our view, any risks are more than offset by the potential income provided by the bond.

Fund basics

Delaware Investments
Arizona Municipal Income Fund, Inc.

As of March 31, 2011

Fund objective

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

Total Fund net assets

\$40 million

Number of holdings

60

Fund start date

Feb. 26, 1993

CUSIP number

246100101

Delaware Investments
Colorado Municipal Income Fund, Inc.

As of March 31, 2011

Fund objective

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

Total Fund net assets

\$65 million

Number of holdings

62

Fund start date

July 29, 1993

CUSIP number

246101109

Delaware Investments
Minnesota Municipal Income Fund II, Inc.

As of March 31, 2011

Fund objective

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

Total Fund net assets

\$158 million

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

Number of holdings

103

Fund start date

Feb. 26, 1993

CUSIP number

24610V103

Delaware Investments
National Municipal Income Fund

As of March 31, 2011

Fund objective

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

Total Fund net assets

\$31 million

Number of holdings

80

Fund start date

Feb. 26, 1993

CUSIP number

24610T108

4

Sector/State allocations

As of March 31, 2011

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

Delaware Investments
Arizona Municipal Income Fund, Inc.

Sector	Percentage of Net Assets
Municipal Bonds	93.71%
Corporate-Backed Revenue Bonds	6.13%
Education Revenue Bonds	11.93%
Electric Revenue Bonds	11.00%
Healthcare Revenue Bonds	17.28%
Housing Revenue Bond	0.48%
Lease Revenue Bonds	6.50%
Local General Obligation Bonds	5.71%
Pre-Refunded Bonds	3.28%
Special Tax Revenue Bonds	15.34%
State General Obligation Bond	0.81%
Transportation Revenue Bonds	6.17%
Water & Sewer Revenue Bonds	9.08%
Short-Term Investments	4.52%
Total Value of Securities	98.23%
Receivables and Other Assets Net of Liabilities	1.77%
Total Net Assets	100.00%

Delaware Investments
Minnesota Municipal Income Fund II, Inc.

Sector	Percentage of Net Assets
Municipal Bonds	98.57%
Corporate-Backed Revenue Bonds	5.78%
Education Revenue Bonds	9.68%
Electric Revenue Bonds	8.55%
Healthcare Revenue Bonds	18.84%
Housing Revenue Bonds	7.96%
Lease Revenue Bonds	6.33%
Local General Obligation Bonds	10.13%
Pre-Refunded/Escrowed to Maturity Bonds	20.51%
Special Tax Revenue Bonds	4.08%
State General Obligation Bond	0.70%
Transportation Revenue Bonds	5.09%
Water & Sewer Revenue Bond	0.92%

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

Short-Term Investments	0.57%
Total Value of Securities	99.14%
Receivables and Other Assets Net of Liabilities	0.86%
Total Net Assets	100.00%

Delaware Investments
Colorado Municipal Income Fund, Inc.

Sector	Percentage of Net Assets
Municipal Bonds	94.95%
Corporate-Backed Revenue Bond	1.17%
Education Revenue Bonds	20.05%
Electric Revenue Bonds	7.00%
Healthcare Revenue Bonds	10.18%
Housing Revenue Bonds	2.69%
Lease Revenue Bonds	5.14%
Local General Obligation Bonds	8.41%
Pre-Refunded Bonds	15.76%
Special Tax Revenue Bonds	11.34%
State General Obligation Bonds	5.54%
Transportation Revenue Bonds	2.50%
Water & Sewer Revenue Bonds	5.17%
Short-Term Investments	3.56%
Total Value of Securities	98.51%
Receivables and Other Assets Net of Liabilities	1.49%
Total Net Assets	100.00%

(continues) 5

Sector/State allocations

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

Delaware Investments
National Municipal Income Fund

Sector	Percentage of Net Assets
Municipal Bonds	94.07%
Corporate-Backed Revenue Bonds	10.56%
Education Revenue Bonds	14.08%
Healthcare Revenue Bonds	15.72%
Housing Revenue Bonds	6.39%
Lease Revenue Bonds	2.41%
Local General Obligation Bonds	3.73%
Special Tax Revenue Bonds	20.08%
State General Obligation Bonds	5.74%
Transportation Revenue Bonds	11.45%
Water & Sewer Revenue Bonds	3.91%
Short-Term Investments	4.58%
Total Value of Securities	98.65%
Receivables and Other Assets Net of Liabilities	1.35%
Total Net Assets	100.00%

State	(as a % of fixed income investments)
Arizona	1.93%
California	8.78%
Colorado	0.90%
Florida	22.89%
Georgia	2.36%
Hawaii	0.87%
Illinois	2.65%
Iowa	1.79%
Kansas	0.47%
Louisiana	0.85%
Maryland	3.11%
Massachusetts	7.50%
Missouri	2.42%
New Hampshire	1.04%
New Jersey	2.75%
New Mexico	1.49%
New York	13.72%
Ohio	3.72%
Oregon	0.44%
Pennsylvania	9.94%
Puerto Rico	4.73%
Texas	2.85%
Virginia	2.04%

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

Washington D.C.	0.76%
Total	100.00%

6

Statements of net assets

Delaware Investments Arizona Municipal Income Fund, Inc.

March 31, 2011

	Principal Amount	Value
Municipal Bonds – 93.71%		
Corporate-Backed Revenue Bonds – 6.13%		
Maricopa County Pollution Control Revenue (Public Service - Palo Verde Project) Series B 5.20% 6/1/43	\$ 500,000	\$ 491,035
Navajo County Pollution Control Revenue (Public Service - Cholla Project) Series D 5.75% 6/1/34	500,000	544,660
Pima County Industrial Development Authority Pollution Control Revenue (Tucson Electric Power) 5.75% 9/1/29 Series A 4.95% 10/1/20 5.25% 10/1/40	250,000 500,000 400,000	247,718 481,255 346,416
Salt Verde Financial Senior Gas Revenue 5.00% 12/1/37	400,000	327,896
		2,438,980
Education Revenue Bonds – 11.93%		
Arizona Board of Regents System Revenue (University of Arizona) Series A 5.00% 6/1/39 Series 2008A 5.00% 6/1/18	500,000 150,000	487,790 168,881
Arizona Health Facilities Authority Education Facilities Revenue (Kirksville College) 5.125% 1/1/30	500,000	468,195
Glendale Industrial Development Authority Revenue (Midwestern University) 5.00% 5/15/31 5.125% 5/15/40	350,000 300,000	323,232 274,023
Northern Arizona University Certificates of Participation (Northern Arizona University Research Projects) 5.00% 9/1/30 (AMBAC)	1,000,000	920,030
Pima County Industrial Development Authority Educational Revenue		

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

(Tucson Country Day School Project)		
5.00% 6/1/37	500,000	356,675
South Campus Group Housing		
Revenue (Arizona State University		
South Campus Project)		
5.625% 9/1/35 (NATL-RE)	1,000,000	931,050
University of Puerto Rico System		
Revenue Series Q 5.00% 6/1/36	1,000,000	817,400
		4,747,276
Electric Revenue Bonds – 11.00%		
Puerto Rico Electric Power		
Authority Revenue		
Series TT 5.00% 7/1/37	100,000	83,966
Series WW 5.50% 7/1/38	200,000	180,224
Series XX 5.25% 7/1/40	805,000	695,480
Series ZZ 5.25% 7/1/26	400,000	380,612
Salt River Project Agricultural		
Improvement & Power District		
Electric System Revenue		
Series A		
5.00% 1/1/31	770,000	772,433
5.00% 1/1/39	1,000,000	981,520
Series B 5.00% 1/1/25	1,250,000	1,281,837
		4,376,072
Healthcare Revenue Bonds – 17.28%		
Arizona Health Facilities Authority		
Revenue (Banner Health)		
Series D 5.50% 1/1/21	500,000	527,600
(Catholic Healthcare West)		
Series D 5.00% 7/1/28	500,000	468,625
Glendale Industrial Development		
Authority Health Facilities Revenue		
(John C. Lincoln Health)		
5.00% 12/1/42	1,000,000	792,900
Maricopa County Industrial		
Development Authority Health		
Facilities Revenue (Catholic		
Healthcare West) Series A		
5.25% 7/1/32	400,000	367,344
6.00% 7/1/39	500,000	497,920
Scottsdale Industrial Development		
Authority Hospital Revenue		
(Scottsdale Healthcare)		
Series A 5.25% 9/1/30	500,000	470,400
University Medical Center Hospital Revenue		
5.00% 7/1/33	1,000,000	858,260
5.00% 7/1/35	500,000	422,435
6.50% 7/1/39	500,000	509,190
Yavapai County Industrial Development		
Authority Revenue (Yavapai		
Regional Medical Center)		

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

Series A 5.25% 8/1/21 (RADIAN)	2,000,000	1,960,819
		6,875,493
Housing Revenue Bond – 0.48%		
Puerto Rico Housing Finance Authority Subordinated-Capital Fund Modernization 5.50% 12/1/18	175,000	189,186
		189,186
Lease Revenue Bonds – 6.50%		
Arizona Certificates of Participation Department Administration Series A 5.25% 10/1/25 (AGM)	500,000	510,130
Arizona Game & Fishing Department & Commission Revenue (AGF Administration Building Project) 5.00% 7/1/26	640,000	636,237
Nogales Municipal Development Authority Revenue 5.00% 6/1/30 (AMBAC)	500,000	457,560

(continues) 7

Statements of net assets

Delaware Investments Arizona Municipal Income Fund, Inc.

	Principal Amount	Value
Municipal Bonds (continued)		
Lease Revenue Bonds (continued)		
Pima County Industrial Development Authority Revenue (Metro Police Facility - Nevada Project) Series A 5.25% 7/1/31	\$ 500,000	\$ 499,955
5.375% 7/1/39	500,000	481,340
		2,585,222
Local General Obligation Bonds – 5.71%		
Gila County Unified School District #10 (Payson School Improvement Project of 2006) Series A 5.25% 7/1/27 (AMBAC)	500,000	506,865
Maricopa County Elementary School District #6 (Washington Elementary) Series A 5.375% 7/1/13 (AGM)	1,250,000	1,365,625
Scottsdale 5.00% 7/1/21	350,000	397,782
		2,270,272
§Pre-Refunded Bonds – 3.28%		
Salt River Project Agricultural Improvement & Power District Electric System Revenue Series A 5.00% 1/1/31-12	230,000	240,341
Southern Arizona Capital Facilities Finance (University of Arizona Project) 5.00% 9/1/23-12 (NATL-RE)	1,000,000	1,063,850
		1,304,191
Special Tax Revenue Bonds – 15.34%		
Flagstaff Aspen Place at the Sawmill Improvement District Revenue 5.00% 1/1/32	385,000	372,653
Gilbert Public Facilities Municipal Property Revenue 5.00% 7/1/25	500,000	510,465
Glendale Municipal Property Series A 5.00% 7/1/33 (AMBAC)	2,000,000	2,000,060
Marana Tangerine Farms Road Improvement District Revenue 4.60% 1/1/26	873,000	827,377
Peoria Municipal Development Authority Revenue (Senior Lien &		

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

Subordinate Lien)			
5.00% 1/1/18		1,085,000	1,196,082
Puerto Rico Sales Tax Financing			
Revenue First Subordinate Series C			
6.00% 8/1/39		300,000	297,225
Queen Creek Improvement District #1			
5.00% 1/1/32		1,000,000	899,640
			6,103,502
State General Obligation Bond – 0.81%			
Puerto Rico Commonwealth			
(Public Improvement) Series C			
6.00% 7/1/39		335,000	321,774
			321,774
Transportation Revenue Bonds – 6.17%			
Phoenix Civic Improvement			
Airport Revenue			
(Junior Lien) Series A 5.25% 7/1/33		500,000	489,045
(Senior Lien) Series B 5.25%			
7/1/27 (NATL-RE) (FGIC) (AMT)		2,000,000	1,966,580
			2,455,625
Water & Sewer Revenue Bonds – 9.08%			
Guam Government Waterworks			
Authority 5.625% 7/1/40		390,000	336,484
Phoenix Civic Improvement			
Wastewater Systems			
Revenue (Junior Lien)			
5.00% 7/1/19 (NATL-RE)		850,000	920,278
5.00% 7/1/24 (NATL-RE) (FGIC)		1,000,000	1,001,410
Series A 5.00% 7/1/39		900,000	889,857
Scottsdale Water & Sewer Revenue			
5.00% 7/1/19		400,000	463,800
			3,611,829
Total Municipal Bonds			
(cost \$38,673,686)			37,279,422
Short-Term Investments – 4.52%			
Variable Rate Demand Notes – 4.52%			
Apache County Industrial			
Development Authority Revenue			
0.22% 12/15/18			
(LOC-Bank of New York)		800,000	800,000
Arizona Health Facilities Authority			
0.22% 7/1/35 (LOC-JPMorgan			
Chase Bank)		1,000,000	1,000,000
Total Short-Term Investments			
(cost \$1,800,000)			1,800,000
Total Value of Securities – 98.23%			
(cost \$40,473,686)			39,079,422
Receivables and Other Assets			
Net of Liabilities – 1.77%			704,458

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

Net Assets Applicable to 2,982,200	
Shares Outstanding; Equivalent to	
\$13.34 Per Share – 100.00%	\$ 39,783,880

Components of Net Assets at March 31, 2011:

Common stock, \$0.01 par value, 200 million shares	
authorized to the Fund	\$ 40,651,205
Undistributed net investment income	461,800
Accumulated net realized gain on investments	65,139
Net unrealized depreciation of investments	(1,394,264)
Total net assets	\$ 39,783,880

8

Variable rate security. The rate shown is the rate as of March 31, 2011. Interest rates reset periodically.

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

Tax-exempt obligations that contain a floating or variable interest rate adjustment formula and an unconditional right of demand to receive payment of the unpaid principal balance plus accrued interest upon a short notice period (generally up to 30 days) prior to specified dates either from the issuer or by drawing on a bank letter of credit, a guarantee or insurance issued with respect to such instrument.

Summary of Abbreviations:

AGM — Insured by Assured Guaranty Municipal Corporation

AMBAC — Insured by AMBAC Assurance Corporation

AMT — Subject to Alternative Minimum Tax

FGIC — Insured by Financial Guaranty Insurance Company

LOC — Letter of Credit

NATL-RE — Insured by the National Public Finance Guarantee Corporation

RADIAN — Insured by Radian Asset Assurance

See accompanying notes, which are an integral part of the financial statements.

(continues) 9

Statements of net assets

Delaware Investments Colorado Municipal Income Fund, Inc.
March 31, 2011

	Principal Amount	Value
Municipal Bonds – 94.95%		
Corporate-Backed Revenue Bond – 1.17%		
Public Authority for Colorado Energy Natural Gas Revenue Series 2008 6.50% 11/15/38	\$ 750,000	\$ 755,700
		755,700
Education Revenue Bonds – 20.05%		
Boulder County Development Revenue (University Corporation for Atmospheric Research) 5.00% 9/1/26 (NATL-RE)	3,000,000	3,001,589
Colorado Board of Governors Revenue (Colorado State University System) Series A 5.00% 3/1/39	700,000	684,005
Colorado Educational & Cultural Facilities Authority Revenue (Bromley Charter School Project) 5.25% 9/15/32 (XLCA) (Johnson & Wales University Project) Series A 5.00% 4/1/28 (XCLA) (Littleton Charter School Project) 4.375% 1/15/36 (CIFG) (Student Housing - Campus Village Apartments) 5.00% 6/1/23 (Student Housing - University of Northern Colorado) Series A 5.00% 7/1/31 (NATL-RE)	1,000,000 3,000,000 1,200,000 1,065,000 2,500,000	921,550 2,661,059 910,188 1,079,548 2,229,125
University of Colorado Enterprise Systems Revenue Series A 5.375% 6/1/38	750,000	758,835
Western State College 5.00% 5/15/34	750,000	726,968
		12,972,867
Electric Revenue Bonds – 7.00%		
Colorado Springs Utilities System Improvement Revenue Series C 5.50% 11/15/48	750,000	763,913
Platte River Power Authority Revenue Series HH 5.00% 6/1/28	1,500,000	1,559,534
Puerto Rico Electric Power Authority Revenue		

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

Series TT 5.00% 7/1/37	685,000	575,167
Series WW 5.50% 7/1/38	300,000	270,336
Series XX 5.25% 7/1/40	750,000	647,963
Series ZZ 5.25% 7/1/26	750,000	713,648
		4,530,561
Healthcare Revenue Bonds – 10.18%		
Aurora Hospital Revenue (Children’s Hospital Association Project)		
Series A 5.00% 12/1/40	500,000	438,540
Colorado Health Facilities Authority Revenue (Catholic Health Initiatives)		
Series A 5.00% 7/1/39	750,000	680,550
Series D 6.125% 10/1/28 (Evangelical Lutheran Good Samaritan Society)	750,000	799,823
5.25% 6/1/23	1,000,000	1,004,860
Series A 6.125% 6/1/38 (Total Longterm Care)	750,000	751,095
Series A 6.00% 11/15/30	400,000	372,940
Colorado Springs Hospital Revenue		
6.25% 12/15/33	750,000	771,705
Denver Health & Hospital Authority Revenue (Recovery Zone Facilities)		
5.625% 12/1/40	750,000	679,545
University of Colorado Hospital Authority Revenue Series A		
5.00% 11/15/37	500,000	426,845
6.00% 11/15/29	650,000	659,555
		6,585,458
Housing Revenue Bonds – 2.69%		
Colorado Housing & Finance Authority (Single Family Mortgage – Class 1) Series A		
5.50% 11/1/29 (FHA) (VA) (HUD)	425,000	433,730
Puerto Rico Housing Finance Authority Subordinated-Capital Fund Modernization		
5.125% 12/1/27	1,000,000	981,260
5.50% 12/1/18	300,000	324,318
		1,739,308
Lease Revenue Bonds – 5.14%		
Aurora Certificates of Participation		
Series A 5.00% 12/1/30	630,000	629,175
Glendale Certificates of Participation		
5.00% 12/1/25 (XLCA)	1,500,000	1,506,135
Puerto Rico Public Buildings Authority Revenue (Guaranteed Government Facilities)		
Series M-2 5.50% 7/1/35 (AMBAC)	700,000	730,737
Regional Transportation District		

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

	Certificates of Participation		
	Series A 5.375% 6/1/31	460,000	460,294
			3,326,341
Local General Obligation Bonds – 8.41%			
	Adams & Arapahoe Counties Joint		
	School District #28J (Aurora)		
	6.00% 12/1/28	600,000	664,122
	Arapahoe County Water &		
	Wastewater Public Improvement		
	District Series A		
	5.125% 12/1/32 (NATL-RE)	635,000	605,015
	Boulder, Larimer & Weld Counties St.		
	Vrain Valley School District No. Re-1J		
	5.00% 12/15/33	750,000	763,628

10

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

	Principal Amount	Value
Municipal Bonds (continued)		
Local General Obligation Bonds (continued)		
Bowles Metropolitan District 5.00% 12/1/33 (AGM)	\$ 2,000,000	\$ 1,897,239
Denver City & County School District #1 Series A 5.00% 12/1/29	240,000	249,526
Jefferson County Colorado School District #R-1 5.25% 12/15/24	750,000	846,945
Sand Creek Metropolitan District Refunding & Improvement 5.00% 12/1/31 (XLCA)	500,000	414,590
		5,441,065
§Pre-Refunded Bonds – 15.76%		
Colorado Educational & Cultural Facilities Authority (University of Colorado Foundation Project) 5.00% 7/1/27-12 (AMBAC)	3,900,000	4,112,589
(University of Denver Project) Series B 5.25% 3/1/35-16 (FGIC)	1,000,000	1,171,650
Denver Convention Center Hotel Authority Revenue Senior Lien Series A 5.00% 12/1/33-13 (XCLA)	3,000,000	3,304,500
Westminster Building Authority Certificates of Participation 5.25% 12/1/22-11 (NATL-RE)	1,555,000	1,604,496
		10,193,235
Special Tax Revenue Bonds – 11.34%		
Denver Convention Center Hotel Authority Revenue 5.00% 12/1/35 (XLCA)	1,575,000	1,220,987
Denver International Business Center Metropolitan District No.1 5.00% 12/1/30	650,000	583,791
Puerto Rico Highway & Transportation Authority Revenue Series K 5.00% 7/1/30	750,000	671,288
Puerto Rico Sales Tax Financing Revenue First Subordinate Series A 5.75% 8/1/37	590,000	568,282
Series C 6.00% 8/1/39	500,000	495,375
Regional Transportation District Revenue (Fastracks Project) Series A 4.375% 11/1/31 (AMBAC)	1,250,000	1,134,538
4.50% 11/1/36 (AGM)	3,000,000	2,663,909
		7,338,170
State General Obligation Bonds – 5.54%		
Guam Government Series A		

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

7.00% 11/15/39	750,000	771,390
Puerto Rico Commonwealth		
(Public Improvement)		
Series A 5.50% 7/1/19 (NATL-RE)	2,250,000	2,325,870
Series C 6.00% 7/1/39	505,000	485,063
		3,582,323
Transportation Revenue Bonds – 2.50%		
Denver City & County Airport System		
Revenue Series A 5.25% 11/15/36	750,000	727,357
E-470 Public Highway Authority		
Revenue Series C 5.25% 9/1/25	310,000	279,171
Regional Transportation District		
Revenue (Denver Transit Partners)		
6.00% 1/15/41	675,000	611,894
		1,618,422
Water & Sewer Revenue Bonds – 5.17%		
Colorado Water Resources & Power		
Development Authority Revenue		
(Parker Water & Sanitation		
District) Series D		
5.125% 9/1/34 (NATL-RE)	1,500,000	1,377,405
5.25% 9/1/43 (NATL-RE)	2,000,000	1,795,820
Guam Government Waterworks		
Authority Revenue 5.625% 7/1/40	195,000	168,242
		3,341,467
Total Municipal Bonds		
(cost \$63,474,336)		61,424,917
Short-Term Investments – 3.56%		
Variable Rate Demand Notes – 3.56%		
Colorado Educational & Cultural		
Facilities Authority Revenue		
(National Jewish Federation)		
Series A-8 0.23% 9/1/35		
(LOC-Bank of America N.A.)	1,500,000	1,500,000
Series A-12 0.23% 2/1/38		
(LOC-Bank of America N.A.)	800,000	800,000
Total Short-Term Investments		
(cost \$2,300,000)		2,300,000
Total Value of Securities – 98.51%		
(cost \$65,774,336)		63,724,917
Receivables and Other Assets		
Net of Liabilities – 1.49%		
		964,456
Net Assets Applicable to 4,837,100		
Shares Outstanding; Equivalent to		
\$13.37 Per Share – 100.00%	\$	64,689,373
Components of Net Assets at March 31, 2011:		
Common stock, \$0.01 par value, 200 million shares		
authorized to the Fund	\$	66,918,121

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

Undistributed net investment income	323,399
Accumulated net realized loss on investments	(502,728)
Net unrealized depreciation of investments	(2,049,419)
Total net assets	\$ 64,689,373

(continues) 11

Statements of net assets

Delaware Investments Colorado Municipal Income Fund, Inc.

Variable rate security. The rate shown is the rate as of March 31, 2011. Interest rates reset periodically.
Pre-Refunded bonds. Municipal bonds that are generally backed or secured by U.S. Treasury bonds. For Pre-Refunded bonds, the stated maturity is followed by the year in which the bond is pre-refunded. See Note 8 in "Notes to financial statements."
Tax-exempt obligations that contain a floating or variable interest rate adjustment formula and an unconditional right of demand to receive payment of the unpaid principal balance plus accrued interest upon a short notice period (generally up to 30 days) prior to specified dates either from the issuer or by drawing on a bank letter of credit, a guarantee or insurance issued with respect to such instrument.

Summary of Abbreviations:

AGM — Insured by Assured Guaranty Municipal Corporation
AMBAC — Insured by AMBAC Assurance Corporation
CIFG — Insured by CDC IXIS Financial Guaranty
FGIC — Insured by Financial Guaranty Insurance Company
FHA — Federal Housing Administration
HUD — Housing and Urban Development Section 8
LOC — Letter of Credit
NATL-RE — Insured by National Public Finance Guarantee Corporation
VA — Veterans Administration Collateral
XLCA — Insured by XL Capital Assurance

See accompanying notes, which are an integral part of the financial statements.

12

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

Delaware Investments Minnesota Municipal Income Fund II, Inc.
March 31, 2011

	Principal Amount	Value
Municipal Bonds – 98.57%		
Corporate-Backed Revenue Bonds – 5.78%		
Cloquet, Pollution Control Revenue (Potlatch Project) 5.90% 10/1/26	\$ 5,500,000	\$ 4,914,580
Laurentian Energy Authority I Cogeneration Revenue Series A 5.00% 12/1/21	3,325,000	3,257,536
Sartell Environmental Improvement Revenue (International Paper) Series A 5.20% 6/1/27	1,000,000	938,510
		9,110,626
Education Revenue Bonds – 9.68%		
Minnesota Higher Education Facilities Authority Revenue 5.25% 12/1/35 (Augsburg College) Series 6-J1 5.00% 5/1/28 (Carleton College) Series D 5.00% 3/1/30 Series 6-T 5.00% 1/1/28 (College of St. Benedict) Series 5-W 5.00% 3/1/20 (St. Mary's University) Series 5-U 4.80% 10/1/23 (University of St. Thomas) Series 6-X 5.00% 4/1/29 Series 7-A 5.00% 10/1/39	1,000,000 1,500,000 1,120,000 1,000,000 2,000,000 1,400,000 2,250,000 1,000,000	954,710 1,446,495 1,151,270 1,036,120 2,023,220 1,392,972 2,248,673 963,970
University Minnesota Series A 5.25% 4/1/29 Series C 5.00% 12/1/19	1,000,000 1,290,000	1,071,770 1,468,678
University of Minnesota Special Purpose Revenue (State Supported Biomed Science) Series C 5.00% 8/1/35	1,040,000	1,048,029
University of the Virgin Islands Series A 5.375% 6/1/34	500,000	449,590
		15,255,497
Electric Revenue Bonds – 8.55%		
Chaska Electric Revenue (Generating Facilities) Series A 5.25% 10/1/25	250,000	254,910
Minnesota Municipal Power Agency Electric Revenue Series A 5.00% 10/1/34	1,900,000	1,821,454

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

5.25% 10/1/19	1,610,000	1,696,634
Puerto Rico Electric Power Authority		
Revenue Series XX		
5.25% 7/1/40	1,645,000	1,421,198
Southern Minnesota Municipal		
Power Agency Supply		
Revenue Series A		
5.25% 1/1/14 (AMBAC)	3,000,000	3,297,630
Western Minnesota Municipal		
Power Agency Supply Revenue		
Series A 5.00% 1/1/30 (NATL-RE)	5,000,000	4,981,550
		13,473,376
Healthcare Revenue Bonds – 18.84%		
Bemidji Health Care Facilities		
Revenue (North Country		
Health Services)		
5.00% 9/1/24 (RADIAN)	1,500,000	1,441,800
Fergus Falls Health Care Facilities		
Revenue (Lake Region Healthcare)		
5.00% 8/1/30	1,000,000	913,080
Glencoe Health Care Facilities		
Revenue (Glencoe Regional		
Health Services Project)		
5.00% 4/1/25	2,000,000	1,863,460
Maple Grove Health Care Facilities		
Revenue (Maple Grove Hospital)		
5.25% 5/1/37	1,000,000	893,250
Minneapolis Health Care System		
Revenue (Fairview Health Services)		
Series A 6.625% 11/15/28	600,000	640,752
Series B 6.50% 11/15/38		
(ASSURED GTY)	295,000	309,493
Series D 5.00% 11/15/34		
(AMBAC)	2,000,000	1,804,980
Minneapolis Revenue (National		
Marrow Donor Program Project)		
4.875% 8/1/25	1,000,000	940,870
Minneapolis & St. Paul Minnesota		
Housing & Redevelopment		
Authority Health Care Facilities		
(Children's Hospital)		
Series A1 5.00% 8/15/34 (AGM)	500,000	465,750
Minnesota Agricultural & Economic		
Development Board Revenue		
(Fairview Health Care System)		
Un-Refunded Balance Series A		
5.75% 11/15/26 (NATL-RE)	100,000	100,003
6.375% 11/15/29	195,000	195,566
Rochester Health Care & Housing		
Revenue (Samaritan Bethany)		
Series A 7.375% 12/1/41	1,220,000	1,207,385

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

Shakopee Health Care Facilities			
Revenue (St. Francis Regional Medical Center) 5.25% 9/1/34		1,560,000	1,402,924
St. Cloud Health Care System			
Revenue (Centracare Health System Project)			
5.50% 5/1/39 (ASSURED GTY)		1,500,000	1,483,425
Series A 5.125% 5/1/30		2,125,000	2,055,831
St. Louis Park Health Care			
Facilities Revenue			
(Park Nicollet Health Services)			
5.75% 7/1/39		1,500,000	1,406,580
Series C 5.50% 7/1/23		1,000,000	1,019,660

(continues) 13

Statements of net assets

Delaware Investments Minnesota Municipal Income Fund II, Inc.

	Principal Amount	Value
Municipal Bonds (continued)		
Healthcare Revenue Bonds (continued)		
St. Paul Housing & Redevelopment Authority Health Care Revenue (Allina Health System) Series A 5.00% 11/15/18 (NATL-RE)	\$ 1,380,000	\$ 1,488,661
Series A-1 5.25% 11/15/29 (Franciscan Health Elderly Housing Project)	1,395,000	1,393,270
5.40% 11/20/42 (GNMA) (FHA) (Health East Project)	2,700,000	2,624,454
6.00% 11/15/35 (Health Partners Obligation Group Project) 5.25% 5/15/36 (Regions Hospital Project)	2,000,000	1,686,620
5.30% 5/15/28 (Senior Carondelet Village Project) Series A 6.00% 8/1/42	1,000,000	944,040
	770,000	701,532
Winona Health Care Facilities Revenue (Winona Health Obligated Group) 5.00% 7/1/23	1,010,000	949,036
		29,708,162
Housing Revenue Bonds – 7.96%		
Chanhassen Multifamily Housing Revenue (Heritage Park Apartments Project) 6.20% 7/1/30 (FHA) (HUD) (AMT)	1,105,000	1,105,508
Minneapolis Multifamily Housing Revenue •(Gaar Scott Loft Project) 5.95% 5/1/30 (AMT) (LOC-U.S. Bank N.A.) (Olson Townhomes Project) 6.00% 12/1/19 (AMT) (Seward Towers Project) 5.00% 5/20/36 (GNMA) (Sumner Housing Project) Series A 5.15% 2/20/45 (GNMA) (AMT)	880,000	881,126
	705,000	705,049
	2,000,000	1,971,721
	2,000,000	1,852,500
Minnesota State Housing Finance Agency Revenue		

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

(Rental Housing)			
Series A 5.00% 2/1/35 (AMT)	1,000,000		927,710
Series D 5.95% 2/1/18 (NATL-RE)	120,000		120,494
(Residential Housing)			
Series B-1 5.35% 1/1/33 (AMT)	1,390,000		1,349,370
•Series D 4.75% 7/1/32 (AMT)	1,000,000		856,250
Series I 5.15% 7/1/38 (AMT)	725,000		674,830
Series L 5.10% 7/1/38 (AMT)	1,495,000		1,381,216
Washington County Housing & Redevelopment Authority Revenue (Woodland Park Apartments Project)			
4.70% 10/1/32	750,000		727,290
			12,553,064
Lease Revenue Bonds – 6.33%			
Andover Economic Development Authority Public Facilities Lease Revenue (Andover Community Center)			
5.125% 2/1/24	205,000		222,148
5.20% 2/1/29	410,000		445,137
Puerto Rico Public Buildings Authority Revenue Un-Refunded Balance (Guaranteed Government Facilities)			
Series D 5.25% 7/1/27	530,000		494,782
St. Paul Port Authority Lease Revenue (Cedar Street Office Building Project)			
5.00% 12/1/22	2,385,000		2,423,947
5.25% 12/1/27	2,800,000		2,831,164
(Robert Street Office Building Project) Series 3-11			
5.00% 12/1/27	2,000,000		2,022,480
Virginia Housing & Redevelopment Authority Health Care Facility Lease Revenue			
5.25% 10/1/25	680,000		650,400
5.375% 10/1/30	965,000		893,088
			9,983,146
Local General Obligation Bonds – 10.13%			
Dakota County Community Development Agency (Senior Housing Facilities)			
Series A 5.00% 1/1/23	1,100,000		1,138,082
Hopkins Independent School District #270 5.00% 2/1/28	1,000,000		1,055,180
Minneapolis Special School District #1 5.00% 2/1/19 (AGM)	1,175,000		1,240,072
Morris Independent School District #769 5.00% 2/1/28 (NATL-RE)	3,750,000		3,988,800
Rocori Independent School District			

Edgar Filing: Delaware Investments National Municipal Income Fund - Form N-CSR

#750 (School Building) Series B

5.00% 2/1/22

1,010,000

1,104,354

5.00% 2/1/24

1,075,000

1,152,002