

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

---

DELAWARE INVESTMENTS CLOSED-END  
MUNICIPAL BOND FUNDS

[LOGO] POWERED BY RESEARCH.(SM)

TABLE  
OF CONTENTS

SECTOR ALLOCATION

Minnesota Municipal Income Fund	1
Minnesota Municipal Income Fund II	2
Minnesota Municipal Income Fund III	3
Arizona Municipal Income Fund	4
Florida Insured Municipal Income Fund	5
Colorado Insured Municipal Income Fund	6

---

FINANCIAL STATEMENTS:

Statements of Net Assets	7
Statements of Operations	20
Statements of Changes in Net Assets	22
Financial Highlights	23
Notes to Financial Statements	29

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.

(C) 2004 Delaware Distributors, L.P.

#### 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 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%

1

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 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%

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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%
-----	

2

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 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%

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%
-----	

3

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 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%
-----	

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

4

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 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 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%



Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

OF NET ASSETS

	Principal Amount	Market 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		

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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

-----		
Municipal Lease Revenue Bonds - 4.49%		
St. Paul Port Authority Lease Revenue		
(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		
Authority Parking Revenue		
(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 &		
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		
Health Care Facilities Revenue (Duluth		
Clinic) 6.30% 11/1/22-04 (AMBAC)		
	730,000	732,971
Puerto Rico Commonwealth		
6.00% 7/1/26-07		
	1,000,000	1,121,210
Puerto Rico Public Buildings Authority		
Series D 5.25% 7/1/27-12		
	845,000	948,563
St. Francis Independent School District #15		
Series A 6.30% 2/1/11-06 (FSA)		
	1,250,000	1,320,838
		-----
		4,123,582
		-----

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

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

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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 Amount	Market Value
MUNICIPAL BONDS (continued)		
Territorial Revenue Bonds - 2.26%		
Puerto Rico Commonwealth Highway & Transportation Authority Revenue 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 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 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% (cost \$55,858,033)		58,239,574
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 (\$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 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

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

8

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

	Principal Amount	Market 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)		

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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		
(Holiday Inn Project) 5.90% 4/1/08	1,430,000	1,413,240
Cloquet Pollution Control Revenue		
(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 &		
Redevelopment Authority Bloomington		
Single Family Residential Mortgage		
Revenue 8.375% 9/1/21		
(GNMA) (FHA) (AMT)	5,500,000	8,135,050
Elk River Independent School District #728		
5.00% 2/1/16 (FGIC)	1,500,000	1,651,035
Metropolitan Council Minneapolis/St. Paul		
Area Sports Facilities Revenue (Hubert H.		
Humphrey Metrodome) 6.00% 10/1/09	2,360,000	2,395,896
Southern Minnesota Municipal Power		
Agency Supply Revenue		
Series A 5.75% 1/1/18	3,715,000	3,811,739
St. Paul Housing & Redevelopment		
Authority Sales Tax (Civic Center Project)		
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		
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

Facilities Authority

(College of St. Benedict)

Series 5-W 5.00% 3/1/20

\$1,000,000	\$ 1,034,330
-------------	--------------

(St. Catherine College)

Series 5-N1 5.375% 10/1/32

1,500,000	1,547,205
-----------	-----------

(St. Mary's University)

Series 5-U 4.80% 10/1/23

1,400,000	1,401,526
-----------	-----------

(St. Thomas University)

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

Authority Revenue (State University

Foundation Project) 5.00% 5/1/23

1,000,000	1,037,980
-----------	-----------

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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



Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

	Principal Amount	Market 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%		
Chanhassen 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) (Sumner Housing Project) Series A 5.15% 2/20/45 (GNMA) (AMT)	1,000,000 3,575,000	1,017,950 3,620,581
Minnesota State Housing Finance Agency Series A 5.00% 2/1/35 Series D 5.95% 2/1/18 (MBIA)	1,000,000 950,000	1,000,990 973,332
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 5.25% 12/1/27	2,385,000 2,650,000	2,494,662 2,777,810
St. Paul Port Authority Lease Revenue (Robert Street Office Building Project) 5.00% 12/1/27 Series 9 5.25% 12/1/27	2,545,000 2,000,000	2,619,136 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
		-----

		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

10

## DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND II, INC.

## STATEMENTS

## OF NET ASSETS (CONTINUED)

	Principal Amount	Market 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		

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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

# Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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

11

## STATEMENTS OF NET ASSETS (CONTINUED)

DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III, INC.  
 September 30, 2004 (Unaudited)

	Principal Amount	Market 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		

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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

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

MUNICIPAL BONDS (continued)

Miscellaneous Revenue Bonds - 1.01%

Minneapolis Art Center Facilities Revenue

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

(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		
Revenue SCA Tax Exempt Trust		
Series A 7.10% 1/1/30 (FSA)	1,930,000	1,980,932
Minneapolis Multifamily Housing Revenue		
(Gaar Scott Loft Project)		
5.95% 5/1/30 (AMT)	980,000	1,047,345
(Olson Townhomes Project)		
6.00% 12/1/19 (AMT)	1,000,000	983,790
		-----
		4,012,067
		-----
Municipal Lease Revenue Bonds - 9.91%		
Andover Economic Development Authority		
Public Facilities Lease Revenue (Andover		
Community Center) 5.125% 2/1/24	500,000	510,005
St. Paul Port Authority Lease Revenue		
(Cedar Street Office Building Project)		
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		
(Robert Street Office Building Project)		
5.00% 12/1/27	500,000	514,565
		-----
		2,592,870
		-----
Parking Revenue Bonds - 5.88%		
St. Paul Housing & Redevelopment		
Authority Parking Revenue		
(Block 19 Ramp Project)		
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		
Series B 5.00% 12/1/21	750,000	804,015
Minneapolis Sports Arena Project		
5.125% 10/1/20	750,000	796,590
Washington County Housing &		
Redevelopment Authority		
Series B 5.50% 2/1/22 (MBIA)	850,000	917,142
		-----
		2,517,747
		-----
*Pre-Refunded Bonds - 9.98%		
Duluth Economic Development Authority		
Health Care Facilities Revenue (Duluth		
Clinic) 6.20% 11/1/12-04 (AMBAC)	420,000	421,676
Esko Independent School District #99		
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		
5.25% 10/1/19	500,000	540,820
Series A 5.00% 10/1/34	250,000	250,840

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

12

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

	Principal Amount	Market Value
MUNICIPAL BONDS (continued)		
Public Power Revenue Bonds (continued)		
**Southern Minnesota Municipal Power		
Agency Supply System Revenue, 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 Amount	Market Value
---------------------	-----------------

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

(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 Amount	Market 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		

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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

14

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

	Principal Amount	Market 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		

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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	
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
	-----

\*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 Amount	Market 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

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

	Amount	Value
MUNICIPAL BONDS (continued)		
Municipal Lease Revenue Bonds (continued)		
Escambia County School Board Certificates of Participation Series 2 5.50% 2/1/22 (MBIA)	\$5,000,000	\$ 5,294,700
Orange County School Board Certificates of Participation Series A 5.00% 8/1/27 (MBIA)	1,250,000	1,277,725
Palm Beach County School Board Certificates of Participation 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 Transportation Trust Fund 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 Certificates of Participation Series B 5.60% 8/1/17-06 (AMBAC)	1,000,000	1,077,830
Reedy Creek Improvement District (Florida Sports Complex) Series A 5.75% 6/1/13-05 (MBIA)	2,300,000	2,364,308
Sunrise Utility System Revenue Series A 5.75% 10/1/26-06 (AMBAC)	2,500,000	2,715,700
Tampa Utility Tax Improvement Series A 6.125% 10/1/19-09 (AMBAC)	1,000,000	1,167,250
Village Center Community Development District Recreational Revenue 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 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 (Capital Outlay Public Education) 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 Development District Special Assessment 5.00% 5/1/29 (MBIA)	295,000	300,868
		-----
		300,868
		-----
Water & Sewer Revenue Bonds - 9.82%		



# Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

Dade County Water & Sewer System Revenue 5.50% 10/1/25 (FGIC)	1,100,000	1,150,643
Indian River County Water & Sewer Revenue 5.50% 9/1/16 (FGIC)	1,000,000	1,081,680
Village Center Community Development District Florida Utility Revenue 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
		-----

16

## 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 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

17

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

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

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

5.50% 12/1/30 (AMBAC)	2,000,000	2,156,340
Aurora Educational Development Revenue (Community College of Aurora Foundation) 6.00% 10/15/15 (Connie Lee)	1,500,000	1,517,760
Broomfield City & County Certificates of Participation 5.75% 12/1/24 (AMBAC)	1,500,000	1,676,520
Eagle County Certificates of Participation 5.40% 12/1/18 (MBIA)	1,000,000	1,104,260
Lakewood Certificates of Participation 5.375% 12/1/22 (AMBAC)	2,000,000	2,183,860
Westminster Building Authority Certificates of Participation 5.25% 12/1/22 (MBIA)	1,555,000	1,670,521
Westminster Certificates of Participation (Ice Centre Project) 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 Facilities System Revenue 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 Public Improvement District Refunding Series A 5.125% 12/1/32 (MBIA)	1,000,000	1,031,850
G V R Metropolitan District 5.75% 12/1/19 (AMBAC)	1,000,000	1,129,450
Pueblo County 5.80% 6/1/11 (MBIA)	1,405,000	1,491,660
Pueblo County (Library District Project) 5.80% 11/1/19 (AMBAC)	1,395,000	1,576,183
Stonegate Village Metropolitan District Refunding & Improvement 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 District #50JT 5.55% 12/1/20-10 (MBIA)	4,000,000	4,345,800
Denver City & County Certificates of Participation Series B 5.50% 12/1/25-06 (AMBAC)	2,000,000	2,293,940
El Paso County School District #20 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 District #28J 5.00% 12/1/22 (FSA)	2,000,000	2,110,480
Adams County School District #1 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 Amount	Market Value
MUNICIPAL BONDS (continued)		
School District General Obligation Bonds (continued)		
Douglas County School District #Re-1 (Douglas & Elbert Counties)		
5.00% 12/15/21 (MBIA)	\$1,000,000	\$ 1,046,400
Larimer Weld & Boulder Counties School Districts #R-2J 5.00% 12/15/15 (FSA)	1,950,000	2,187,412
		-----
		6,970,955
		-----
Turnpike/Toll Road Revenue Bonds - 13.52%		
E-470 Public Highway Authority Series A		
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 Authority Series A 5.25% 6/15/41 (FSA)	5,000,000	5,142,100
		-----
		10,365,763
		-----
Water & Sewer Revenue Bonds - 9.63%		
Colorado Water Resources & Power Development Authority Small Water Resources Revenue Series A		
5.80% 11/1/20 (FGIC)	2,000,000	2,266,520
Colorado Water Resources & Power Development Authority Water Resources Revenue (Parker Water & Sanitation District) 5.125% 9/1/34 (MBIA)	1,500,000	1,551,225
Lafayette Water Revenue Series A 5.00% 12/1/27 (MBIA)	1,100,000	1,131,218
Ute Utility Water Conservancy District Water Revenue 5.75% 6/15/20 (MBIA)	2,155,000	2,435,797
		-----
		7,384,760
		-----
TOTAL MUNICIPAL BONDS (cost \$107,823,852)		115,297,603
		-----
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		
SHARES OUTSTANDING - 100.00%		\$ 76,648,707
		-----

# Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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 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

19

## STATEMENTS OF OPERATIONS

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

	Delaware Investments Minnesota Municipal Income Fund, Inc.	Delaware Investments Minnesota Municipal Income Fund II, Inc.
INVESTMENT INCOME:		
Interest	\$1,420,540	\$ 4,316,800
	-----	-----
EXPENSES:		
Management fees	114,907	334,100
Accounting and administration expenses	42,500	42,500
Remarketing Agent fees	26,457	75,200
Transfer agent fees and expenses	21,370	29,400
Legal and Professional fees	14,746	19,700
Rating Agency fees	9,000	6,000
Reports and statements to shareholders	5,965	16,000
Directors'/Trustees' Fees	4,070	6,000
Stock Exchange Fees	1,278	3,400
Custodian fees	953	2,200

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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

20

STATEMENTS OF OPERATIONS (CONTINUED)

DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS

For the Six Months Ended September 30, 2004 (Unaudited)

	Delaware Investments Arizona Municipal Income Fund, Inc.	Delaware Investmen Florida Ins Municipa Income 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

# Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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

21

## STATEMENTS

### OF CHANGES IN NET ASSETS

#### DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS

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



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 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	--	--
	-----	-----
	(881,856)	(1,616,736)
	-----	-----

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
---------------------	---------------	------------------

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

	9/30/04 (Unaudited)	3/31/04	9/30/04 (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	
Net change in unrealized appreciation/depreciation of investments	(801,804)	501,711	(1,153,116)
Dividends on preferred stock	(143,860)	(271,690)	
	-----	-----	-----
Net increase in net assets resulting from operations	514,305	3,587,779	278,043
	-----	-----	-----
DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:			
Net investment income	(1,431,456)	(2,862,912)	(1,235,043)
Net realized gain on investments	(113,324)	(462,241)	
	-----	-----	-----
	(1,544,780)	(3,325,153)	(1,235,043)
	-----	-----	-----
NET INCREASE (DECREASE) IN NET ASSETS	(1,030,475)	262,626	(956,999)
NET ASSETS:			
Beginning of period	46,429,378	46,166,752	39,243,752
	-----	-----	-----
End of period	\$45,398,903	\$46,429,378	\$38,286,752
	-----	-----	-----
Undistributed net investment income	\$ 990,162	\$ 1,126,683	\$ 922,043
	-----	-----	-----

Delaware  
Investments Colorado  
Insured Municipal  
Income Fund, Inc.

	Six Months Ended 9/30/04 (Unaudited)	Year Ended 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

# Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

## 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

22

## FINANCIAL

### HIGHLIGHTS

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

	Delaware Investments Minnes		
	Six Months Ended 9/30/04 (6) (Unaudited)	3/31/04	3/31/03
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 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%

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

Net asset value	1.89%	6.62%	12.29%
RATIOS AND SUPPLEMENTAL DATA:			
Net assets applicable to common shares, end of period (000 omitted)	\$ 38,428	\$ 38,978	\$ 40,122
Ratio of expenses to average net assets applicable to common shares(3)	1.27%	1.20%	1.21%
Ratio of expenses to average net assets applicable to common shares prior to expense limitation and expenses paid indirectly	1.30%	1.20%	1.21%
Ratio of net investment income to average net assets applicable to common shares(3)	6.45%	6.57%	7.35%
Ratio of net investment income to average net assets applicable to common shares prior to expenses limitation and expenses paid indirectly	6.42%	6.57%	7.35%
Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares(4)	5.72%	5.90%	6.68%
Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares prior to expense limitation and expenses paid 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 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.

- (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

23

FINANCIAL  
HIGHLIGHTS (CONTINUED)

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

	Delaware Investments Minnesota		
	Six Months		
	Ended		
	9/30/04 (6)	3/31/04	3/31/03
	(Unaudited)		
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%

# Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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

## RATIOS AND SUPPLEMENTAL DATA:

Net assets applicable to common shares, end of period (000 omitted)	\$109,514	\$110,828	\$109,212
Ratio of expenses to average net assets applicable to common shares(3)	1.01%	0.93%	1.03%
Ratio of net investment income to average net assets applicable to common shares(3)	7.03%	7.23%	7.74%
Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred 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 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		
	Ended		
	9/30/04 (6)	3/31/04	3/31/03
	(Unaudited)		
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			
(000 omitted)	\$ 26,154	\$ 26,601	\$ 26,260
Ratio of expenses to average net assets applicable to			
common shares(3)	1.38%	1.23%	1.32%
Ratio of net investment income to average net assets			
applicable to common shares(3)	6.95%	7.20%	7.80%
Ratio of net investment income to average net assets			
applicable to common shares net of dividends to preferred			
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			
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

25

FINANCIAL  
HIGHLIGHTS (CONTINUED)

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

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



Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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

26

# FINANCIAL

## HIGHLIGHTS (CONTINUED)

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

	Delaware Investments Florida		
	Six Months		
	Ended		
	9/30/04 (6)	3/31/04	3/31/03
	(Unaudited)		
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)	--
	-----	-----	-----

Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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 (000 omitted)	\$ 38,287	\$ 39,244	\$ 39,651
Ratio of expenses to average net assets applicable to common shares(3)	1.22%	1.11%	1.18%
Ratio of net investment income to average net assets applicable to common shares(3)	5.55%	6.70%	6.81%
Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred 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 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.

# Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

(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

27

## FINANCIAL

### HIGHLIGHTS (CONTINUED)

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

	Delaware Investments Six Months Ended 9/30/04 (6) (Unaudited)	Colorado Insu 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 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 (000 omitted)	\$ 76,649	\$77,903	\$ 76,988
Ratio of expenses to average net assets applicable to			

# Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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

NOTES  
TO FINANCIAL STATEMENTS

DELAWARE INVESTMENTS CLOSED-END MUNICIPAL BOND FUNDS  
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

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 Municipal Fund I -----	Minnesota Municipal Fund II -----	Minnesota Municipal Fund III -----	Arizona Municipal Fund -----	Florida I Municipal Fund -----
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.

29

## 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 Municipal Fund I -----	Minnesota Municipal Fund II -----	Minnesota Municipal Fund III -----	Arizona Municipal Fund -----
Investment management fee payable to DMC	\$19,464	\$56,454	\$13,708	\$23,453
Dividend disbursing, transfer agent, accounting and administration fees				
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 Municipal Fund I	Minnesota Municipal Fund II	Minnesota Municipal Fund III	Arizona Municipal 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 Municipal Fund I	Minnesota Municipal Fund II	Minnesota Municipal Fund III	Arizona Municipal 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:



	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

30

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 Mun 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.

31

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 Capital Gains Distributions	Ordinary Income Distributions	Tax Exempt Income	Total Distributions (Tax Basis)
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%

# Edgar Filing: DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III INC - Form N-CSR

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 Voted For	Shares Voted Against	Shares Voted Abstain
DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND, INC:			
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
DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND II, INC:			
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
DELAWARE INVESTMENTS MINNESOTA MUNICIPAL INCOME FUND III, INC:			
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 Shares Voted For	Shareholders Shares Voted Against	Shares Voted Abstain
DELAWARE INVESTMENTS ARIZONA MUNICIPAL INCOME FUND, INC:			
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
DELAWARE INVESTMENTS FLORIDA INSURED MUNICIPAL INCOME FUND:			
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
DELAWARE INVESTMENTS COLORADO INSURED MUNICIPAL INCOME FUND, INC.:			
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

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)

-----  
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

JUDE T. DRISCOLL  
Chairman  
Delaware Investments Family of Funds  
Philadelphia, PA

WALTER P. BABICH  
Board Chairman  
Citadel Construction Corporation  
King of Prussia, PA

JOHN H. DURHAM  
Private Investor  
Gwynedd Valley, PA

JOHN A. FRY  
President  
Franklin & Marshall College  
Lancaster, PA

ANTHONY D. KNERR  
Managing Director  
Anthony Knerr & Associates  
New York, NY

ANN R. LEVEN  
Former Treasurer/Chief Fiscal Officer  
National Gallery of Art  
Washington, DC

THOMAS F. MADISON

#### Affiliated Officers

JOSEPH H. HASTINGS  
Executive Vice President and  
Chief Financial Officer  
Delaware Investments Family of Funds  
Philadelphia, PA

RICHELLE S. MAESTRO  
Executive Vice President,  
Chief Legal Officer and Secretary  
Delaware Investments Family of Funds  
Philadelphia, PA

MICHAEL P. BISHOP  
Senior Vice President and Treasurer  
Delaware Investments Family of Funds  
Philadelphia, PA

#### Contact

INVESTME  
Delaware  
Philadel

PRINCIPA  
2005 Mar  
Philadel

INDEPEND  
Ernst &  
2001 Mar  
Philadel

REGISTRA  
Mellon I  
Overpeck  
85 Chall  
Ridgefie  
800 851-

FOR SECU  
INSTITUT  
800 362-

WEB SITE  
www.dela

NUMBER O  
SEPTEMBE  
Minnesot

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>.

(9004)  
SA-CEMUNI [9/04] IVES 11/04

Printed in the USA  
J9850

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  
-----