

Delaware Investments Colorado Municipal Income Fund, Inc.  
Form N-CSR  
June 07, 2013

**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:	811-07810
Exact name of registrant as specified in charter:	Delaware Investments® Colorado Municipal Income Fund, Inc.
Address of principal executive offices:	2005 Market Street Philadelphia, PA 19103
Name and address of agent for service:	David F. Connor, Esq. 2005 Market Street Philadelphia, PA 19103
Registrant's telephone number, including area code:	(800) 523-1918
Date of fiscal year end:	March 31
Date of reporting period:	March 31, 2013

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Item 1. Reports to Stockholders

Annual Report  
Delaware  
Investments<sup>®</sup>  
Closed-End  
Municipal Bond  
Funds

March 31, 2013

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

**Closed-end funds**

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Unless otherwise noted, views expressed herein are current as of March 31, 2013, and subject to change. Information is as of the date indicated and subject to change.

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Investments in Delaware Investments® Closed-End Municipal Bond Funds are not and will not be deposits with or liabilities of Macquarie Bank Limited ABN 46 008 583 542 and its holding companies, including their subsidiaries or related companies (Macquarie Group), and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. No Macquarie Group company guarantees or will guarantee the performance of the Funds, the repayment of capital from the Funds, or any particular rate of return.

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## Portfolio management review

### Delaware Investments® Closed-End Municipal Bond Funds

April 9, 2013

#### Municipal bond market conditions

During the Funds' fiscal year ended March 31, 2013, the U.S. tax-exempt bond market, as measured by the Barclays Municipal Bond Index, returned 5.25%. In this favorable environment, higher yielding, lower-rated municipal bonds fared the best overall, with below-investment-grade issues gaining 14.23%, compared to returns of 6.50% and 3.78% generated by the higher-rated BBB and AAA segments of the market, respectively. (Data: Barclays.)

On Jan. 1, 2013, an agreement was reached in Washington, D.C., known as the American Taxpayer Relief Act of 2012. The good news for the municipal market was that the deal did not include a 28% cap on the municipal tax exemption.

#### Fund positioning: maintaining a long-standing approach

Our portfolio management strategy remained consistent throughout the Funds' fiscal year. We continued investing by utilizing a bottom-up approach to portfolio construction, meaning that we evaluated investment opportunities individually based on thorough research; ultimately, we selected bonds that we believed offered a favorable balance between risk and potential reward.

We were also mindful of market shifts that could lead to new opportunities (or risks) for investors. Several such situations occurred during the fiscal year, as risks emerged that we believed justified making the portfolio slightly more defensive.

One of these shifts took place in the final months of the fiscal year. Especially in light of back-to-back years of strong performance in the municipal bond market, we thought it prudent to take a defensive position in an effort to seek to mitigate some of the risk to the Funds from a potential rise in long-term interest rates. This entailed modestly reducing the Funds' exposure to longer-maturity securities. In addition, given global macroeconomic challenges, we limited the Funds' allocations to certain lower-rated bonds that we believed were potentially at risk. We should note that this shift represented only subtle changes to the Funds' portfolios. Throughout the Funds' fiscal year, we maintained our usual focus on seeking to generate relative outperformance by emphasizing bonds within the lower tiers of the investment-grade credit ratings.

This is a segment of the market in which we believe our credit research capabilities have the potential to add value to the overall investment process.

#### Performance effects

Although we slightly reduced the Funds' exposure to lower rated credit and decreased positions in bonds with longer maturities, these credits were among the strongest-performing bonds within the Funds. Additionally, the typically maintained overweight positions in these securities during the fiscal year.

Within **Delaware Investments Colorado Municipal Income Fund, Inc.**, the strongest performing bonds tended to include issues within the healthcare sector (one example was issued by the Colorado Health Facilities Authority, with a coupon of 5% and a maturity date of 2040). The weaker performers, meanwhile, included an issue by the Puerto Rico Infrastructure Financing Authority, which felt much pressure among that commonwealth's pension-related challenges and uncertainty surrounding a newly elected governor.

Within **Delaware Investments Minnesota Municipal Income Fund, II Inc.**, notable performers included bonds issued by the Dakota and Washington Counties Housing and Redevelopment Authority. These bonds were issued with a 8.375% coupon, and are scheduled to mature in 2021. Other contributors included tobacco settlement bonds, with an S&P rating of A- and a maturity date of 2031. The positive effects generated by these bonds were offset somewhat by the underperformance of bonds such as those issued by the Laurentian Energy Authority, with a 5.0% coupon and a maturity of 2021. Puerto Rican bonds likewise posed a mild drag on the Fund's performance, including bonds issued by the Puerto Rico Electric Power Authority.

**Delaware Investments National Municipal Income Fund** experienced a positive contribution from so-called tobacco settlement bonds. Another notable contributor to the Fund's performance was a bond issued by the West Virginia Hospital Finance Authority, with a stated coupon of 9.125% and a maturity date of 2041. Bonds issued out of Puerto Rico, including an issue by the Puerto Rico Sales Tax Financing Corporation,

were the weakest performers across the Fund.

## Fund basics

**Delaware Investments®  
Colorado Municipal Income Fund, Inc.**

As of March 31, 2013

**Fund objective**

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

**Total Fund net assets**

\$74 million

**Number of holdings**

78

**Fund start date**

July 29, 1993

**CUSIP number**

246101109

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

As of March 31, 2013

**Fund objective**

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

**Total Fund net assets**

\$176 million

**Number of holdings**

139

**Fund start date**

Feb. 26, 1993

**CUSIP number**

24610V103

**Delaware Investments  
National Municipal Income Fund**

As of March 31, 2013

**Fund objective**

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

**Total Fund net assets**

\$68 million

**Number of holdings**

163

**Fund start date**

Feb. 26, 1993

**CUSIP number**

24610T108

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## Security type/Sector/State allocations

As of March 31, 2013 (Unaudited)

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

### Delaware Investments® Colorado Municipal Income Fund, Inc.

Security type/Sector	Percentage of Net Assets
<b>Municipal Bonds*</b>	<b>138.04%</b>
Corporate-Backed Revenue Bond	1.39%
Education Revenue Bonds	21.32%
Electric Revenue Bonds	6.41%
Healthcare Revenue Bonds	29.67%
Housing Revenue Bonds	2.38%
Lease Revenue Bonds	10.56%
Local General Obligation Bonds	13.81%
Pre-Refunded Bonds	7.54%
Special Tax Revenue Bonds	33.52%
State & Territory General Obligation Bonds	1.80%
Transportation Revenue Bonds	8.12%
Water & Sewer Revenue Bond	1.52%
<b>Short-Term Investment</b>	<b>0.27%</b>
<b>Total Value of Securities</b>	<b>138.31%</b>
<b>Liquidation Value of Preferred Stock</b>	<b>(40.35%)</b>
<b>Receivables and Other Assets Net of Liabilities</b>	<b>2.04%</b>
<b>Total Net Assets</b>	<b>100.00%</b>

\* As of the date of this report, Delaware Investments Colorado Municipal Income Fund, Inc. held bonds issued by or on behalf of territories of the United States as follows:

Territory	(as a % of fixed income investments)
Guam	1.1%
Puerto Rico	12.4%

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

Security type/Sector	Percentage of Net Assets
<b>Municipal Bonds</b>	<b>140.31%</b>
Corporate-Backed Revenue Bonds	7.39%
Education Revenue Bonds	16.90%
Electric Revenue Bonds	6.43%
Healthcare Revenue Bonds	40.12%
Housing Revenue Bonds	6.31%
Lease Revenue Bonds	14.94%
Local General Obligation Bonds	8.45%
Pre-Refunded/Escrowed to Maturity Bonds	17.94%
Special Tax Revenue Bonds	7.69%
State & Territory General Obligation Bonds	9.16%
Transportation Revenue Bonds	3.37%
Water & Sewer Revenue Bonds	1.61%
<b>Total Value of Securities</b>	<b>140.31%</b>
<b>Liquidation Value of Preferred Stock</b>	<b>(42.70%)</b>
<b>Receivables and Other Assets Net of Liabilities</b>	<b>2.39%</b>
<b>Total Net Assets</b>	<b>100.00%</b>

As of the date of this report, Delaware Investments Minnesota Municipal Income Fund II, Inc. held bonds issued by or on behalf of territories of the United States as follows:

Territory	(as a % of fixed income investments)
Guam	0.1%
Puerto Rico	2.3%





## Security type/Sector/State allocations

As of March 31, 2013 (Unaudited)

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

### Delaware Investments® National Municipal Income Fund

Security type/Sector	Percentage of Net Assets
<b>Municipal Bonds</b>	<b>143.61%</b>
Corporate-Backed Revenue Bonds	15.82%
Education Revenue Bonds	24.78%
Electric Revenue Bonds	4.75%
Healthcare Revenue Bonds	20.02%
Housing Revenue Bonds	2.44%
Lease Revenue Bonds	12.35%
Local General Obligation Bonds	3.33%
Special Tax Revenue Bonds	25.68%
State & Territory General Obligation Bonds	6.30%
Transportation Revenue Bonds	22.55%
Water & Sewer Revenue Bonds	5.59%
<b>Total Value of Securities</b>	<b>143.61%</b>
<b>Liquidation Value of Preferred Stock</b>	<b>(44.20%)</b>
<b>Receivables and Other Assets Net of Liabilities</b>	<b>0.59%</b>
<b>Total Net Assets</b>	<b>100.00%</b>

State/Territory	(as a % of fixed income investments)
Alaska	0.35%
Arizona	12.52%
California	11.70%
Colorado	1.21%
Florida	2.92%
Georgia	1.62%
Guam	2.06%
Hawaii	0.34%
Idaho	1.12%
Illinois	1.38%
Indiana	1.02%
Iowa	0.55%
Kansas	0.16%
Louisiana	2.40%
Maine	0.37%
Maryland	2.55%
Massachusetts	0.99%
Minnesota	1.28%
Missouri	2.21%
New Hampshire	0.36%
New Jersey	5.42%
New Mexico	0.56%
New York	18.02%
Ohio	1.85%
Oregon	4.01%
Pennsylvania	6.39%
Puerto Rico	6.48%
Texas	6.57%
Virginia	1.85%
Washington D.C.	0.28%
West Virginia	0.66%
Wisconsin	0.51%

Wyoming	0.29%
<b>Total</b>	<b>100.00%</b>

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## Statements of net assets

### Delaware Investments® Colorado Municipal Income Fund, Inc.

March 31, 2013

	Principal Amount	Value
<b>Municipal Bonds 138.04%</b>		
<b>Corporate-Backed Revenue Bond 1.39%</b>		
Public Authority for Colorado Energy Natural Gas Revenue Series 2008 6.50% 11/15/38	\$ 750,000	\$ 1,030,680
		1,030,680
<b>Education Revenue Bonds 21.32%</b>		
Colorado Educational & Cultural Facilities Authority Revenue (Academy Charter School Project) 5.50% 5/1/36 (SGI)	1,720,000	1,784,552
(Bromley Charter School Project) 5.25% 9/15/32 (SGI) (Johnson & Wales University Project) Series A 5.00% 4/1/28 (SGI)	3,245,000	3,331,187
(Littleton Charter School Project) 4.375% 1/15/36 (ASSURED GTY) (Student Housing - Campus Village Apartments) 5.00% 6/1/23	1,200,000	1,201,800
Colorado State Board of Governors Revenue (University Enterprise System) Series A 5.00% 3/1/39	700,000	780,087
University of Colorado 5.00% 6/1/31	3,185,000	3,677,337
University of Colorado Enterprise Systems Revenue Series A 5.375% 6/1/38	750,000	883,208
		15,848,421
<b>Electric Revenue Bonds 6.41%</b>		
Colorado Springs Utilities System Improvement Revenue Series C 5.50% 11/15/48	750,000	866,955
Platte River Power Authority Revenue Series HH 5.00% 6/1/28	1,500,000	1,781,130
Puerto Rico Electric Power Authority Revenue Series A 5.00% 7/1/42	500,000	460,735
Series TT 5.00% 7/1/37	685,000	639,804
Series WW 5.50% 7/1/38	300,000	299,364
Series XX 5.25% 7/1/40	750,000	720,030
		4,768,018
<b>Healthcare Revenue Bonds 29.67%</b>		
Aurora Hospital Revenue (Children s Hospital Association Project) Series A 5.00% 12/1/40	2,000,000	2,185,480
Colorado Health Facilities Authority Revenue (Boulder Community Hospital Project) 5.00% 10/1/32 (Catholic Health Initiatives) Series A 5.00% 7/1/39	500,000	556,155
Series A 5.00% 2/1/41	2,400,000	2,623,391
Series A 5.25% 2/1/33	1,625,000	1,861,015
Series C-1 5.10% 10/1/41 (AGM)	1,000,000	1,079,830
Series D 6.125% 10/1/28 (Christian Living	750,000	900,075

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Communities Project		
6.375% 1/1/41	615,000	702,441
Series A 5.75% 1/1/37	885,000	943,260
(Covenant Retirement		
Communities) 5.00% 12/1/33	1,000,000	1,059,340
(Evangelical Lutheran Good		
Samaritan Society) 5.25% 6/1/23	1,000,000	1,072,410
(National Jewish Health Project)		
5.00% 1/1/27	500,000	534,510
(Sisters of Charity of Leavenworth		
Health System) 5.00% 1/1/40	4,750,000	5,141,067
(Total Long-Term Care)		
Series A 6.00% 11/15/30	400,000	452,560
Denver Health & Hospital Authority		
Revenue (Recovery Zone Facilities)		
5.625% 12/1/40	750,000	817,140
University of Colorado Hospital		
Authority Revenue Series A		
5.00% 11/15/37	500,000	535,030
6.00% 11/15/29	650,000	773,533
		22,056,725
Housing Revenue Bonds 2.38%		
Colorado Housing & Finance		
Authority (Single Family		
Mortgage - Class 1) Series A		
5.50% 11/1/29 (FHA) (VA) (HUD)	365,000	378,808
Puerto Rico Housing Finance		
Authority Subordinated-Capital		
Fund Modernization		
5.125% 12/1/27 (HUD)	1,000,000	1,052,770
5.50% 12/1/18 (HUD)	300,000	339,978
		1,771,556
Lease Revenue Bonds 10.56%		
Aurora Certificates of Participation		
Refunding Series A 5.00% 12/1/30	630,000	721,545
Colorado State Building Excellent		
Schools Today Certificates		
of Participation		
Series G 5.00% 3/15/32	2,000,000	2,244,581
Glendale Certificates of Participation		
5.00% 12/1/25 (SGI)	1,500,000	1,604,565
Pueblo County Certificates of		
Participation (County Judicial		
Complex Project)		
5.00% 9/15/42 (AGM)	2,000,000	2,227,100

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## Statements of net assets

Delaware Investments® Colorado Municipal Income Fund, Inc.

	Principal Amount	Value
<b>Municipal Bonds (continued)</b>		
<b>Lease Revenue Bonds (continued)</b>		
Puerto Rico Public Buildings Authority Revenue (Guaranteed Government Facilities) Series M-2 5.50% 7/1/35 (AMBAC)	\$ 500,000	\$ 531,925
Regional Transportation District Certificates of Participation Series A 5.375% 6/1/31	460,000	518,323
		7,848,039
<b>Local General Obligation Bonds 13.81%</b>		
Arapahoe County School District #1 Englewood 5.00% 12/1/31	2,935,000	3,418,071
Boulder, Larimer & Weld Counties St. Vrain Valley School District No. Re-1J 5.00% 12/15/33	750,000	852,570
Bowles Metropolitan District 5.00% 12/1/33 (AGM)	2,000,000	2,021,680
Denver City & County (Better Denver & Zoo) Series A 5.00% 8/1/25	650,000	779,246
Denver International Business Center Metropolitan District #1 5.00% 12/1/30	650,000	681,824
Jefferson County School District #R-1 5.25% 12/15/24	750,000	967,733
Pueblo County School District #70 5.00% 12/1/31	500,000	585,020
Rangely Hospital District 6.00% 11/1/26	750,000	893,715
Sand Creek Metropolitan District 5.00% 12/1/31 (SGI)	70,000	70,237
		10,270,096
<b>§Pre-Refunded Bonds 7.54%</b>		
Adams & Arapahoe Counties Joint School District #28J (Aurora) 6.00% 12/1/28-18	600,000	766,776
Colorado Health Facilities Authority Revenue (Evangelical Lutheran Good Samaritan Society) Series A 6.125% 6/1/38-14	750,000	801,180
Colorado Water Resources & Power Development Authority Revenue (Parker Water & Sanitation District) Series D 5.125% 9/1/34-14 (NATL-RE) 5.25% 9/1/43-14 (NATL-RE)	1,500,000 2,000,000	1,598,625 2,138,600
Sand Creek Metropolitan District 5.00% 12/1/31-13 (SGI)	295,000	304,582
		5,609,763
<b>Special Tax Revenue Bonds 33.52%</b>		
Castle Rock Sales & Use Tax Revenue 5.00% 6/1/35	750,000	861,150
Denver Convention Center Hotel Authority Revenue Refunding 5.00% 12/1/35 (SGI)	2,795,000	2,899,393
Guam Government Business Privilege		

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Tax Revenue Series A			
5.125% 1/1/42		435,000	478,082
5.25% 1/1/36		565,000	630,642
<b>Puerto Rico Infrastructure Financing</b>			
Authority Special Tax Revenue			
Series B 5.00% 7/1/41		2,475,000	2,228,144
<b>Puerto Rico Sales Tax Financing</b>			
Revenue First Subordinate			
Series A 5.50% 8/1/37		700,000	722,267
Series A 5.50% 8/1/42		1,000,000	1,027,720
Series A 5.75% 8/1/37		590,000	628,751
Series A-1 5.00% 8/1/43		2,000,000	1,995,220
Series C 5.00% 8/1/40		1,000,000	1,035,450
Series C 6.00% 8/1/39		500,000	541,055
<b>Regional Transportation District</b>			
Revenue (FasTracks Project) Series A			
4.375% 11/1/31 (AMBAC)		1,250,000	1,303,100
4.50% 11/1/36 (AGM)		3,000,000	3,158,040
5.00% 11/1/28 (AMBAC)		2,500,000	2,815,650
5.00% 11/1/38		4,085,000	4,598,974
			24,923,638
<b>State &amp; Territory General Obligation Bonds 1.80%</b>			
Puerto Rico Commonwealth			
(Public Improvement)			
Series C 6.00% 7/1/39		505,000	515,090
<b>Western State College</b>			
5.00% 5/15/34		750,000	824,805
			1,339,895
<b>Transportation Revenue Bonds 8.12%</b>			
Denver City & County Airport			
System Revenue			
Series A 5.25% 11/15/36		750,000	844,275
Series B 5.00% 11/15/27		1,000,000	1,176,060
Series B 5.00% 11/15/28		1,000,000	1,168,450
<b>E-470 Public Highway Authority</b>			
Revenue Series C 5.25% 9/1/25		310,000	343,911
<b>Regional Transportation District</b>			
Revenue (Denver Transit Partners)			
6.00% 1/15/41		2,175,000	2,504,991
			6,037,687
<b>Water &amp; Sewer Revenue Bond 1.52%</b>			
Parker Water & Sanitation District			
5.00% 8/1/43		1,000,000	1,127,520
			1,127,520
<b>Total Municipal Bonds</b>			
(cost \$96,096,590)			<b>102,632,038</b>

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	Principal Amount	Value
<b>Short-Term Investment 0.27%</b>		
⌘ Variable Rate Demand Note 0.27%		
Colorado State Educational & Cultural Facilities Authority Revenue (National Jewish Federation Bond Program) Series D-5 0.15% 10/1/38 (LOC-JPMorgan Chase Bank N.A.)	\$ 200,000	\$ 200,000
<b>Total Short-Term Investments</b> (cost \$200,000)		<b>200,000</b>
<b>Total Value of Securities 138.31%</b> (cost \$96,296,590)		<b>102,832,038</b>
<b>Liquidation Value of Preferred Stock (40.35%)</b>		<b>(30,000,000)</b>
<b>Receivables and Other Assets</b>		
<b>Net of Liabilities 2.04%</b>		<b>1,516,600</b>
<b>Net Assets Applicable to 4,837,100 Shares Outstanding; Equivalent to \$15.37 Per Share 100.00%</b>		<b>\$ 74,348,638</b>
<b>Components of Net Assets at March 31, 2013:</b>		
Common stock, \$0.01 par value, 200 million shares authorized to the Fund		\$ 66,918,121
Undistributed net investment income		800,128
Accumulated net realized gain on investments		94,941
Net unrealized appreciation of investments		6,535,448
Total net assets		\$ 74,348,638

Variable rate security. The rate shown is the rate as of March 31, 2013. Interest rates reset periodically.

§Pre-refunded bonds. Municipal bonds that are generally backed or secured by U.S. Treasury bonds. For pre-refunded bonds, the stated maturity is followed by the year in which the bond is pre-refunded. See Note 9 in Notes to financial statements.

⌘Tax-exempt obligations that contain a floating or variable interest rate adjustment formula and an unconditional right of demand to receive payment of the unpaid principal balance plus accrued interest upon a short notice period (generally up to 30 days) prior to specified dates either from the issuer or by drawing on a bank letter of credit, a guarantee or insurance issued with respect to such instrument. The rate shown is the rate as of March 31, 2013.

See Note 6 in Notes to financial statements.

**Summary of Abbreviations:**

AGM Insured by Assured Guaranty Municipal Corporation  
 AMBAC Insured by AMBAC Assurance Corporation  
 ASSURED GTY Insured by Assured Guaranty Corporation  
 FHA Federal Housing Administration  
 HUD Housing & Urban Development Section 8  
 LOC Letter of Credit  
 NATL-RE Insured by National Public Finance Guarantee Corporation  
 SGI Insured by Syncora Guarantee Inc.  
 VA Veterans Administration collateral

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

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## Statements of net assets

Delaware Investments<sup>®</sup> Minnesota Municipal Income Fund II, Inc.  
March 31, 2013

	Principal Amount	Value
<b>Municipal Bonds 140.31%</b>		
Corporate-Backed Revenue Bonds 7.39%		
Cloquet Pollution Control Revenue (Potlatch Project) 5.90% 10/1/26	\$ 5,500,000	\$ 5,520,515
Laurentian Energy Authority Cogeneration Revenue Series A 5.00% 12/1/21	3,325,000	3,268,575
Sartell Environmental Improvement Revenue (International Paper) Series A 5.20% 6/1/27	1,000,000	1,006,910
St. Paul Port Authority Revenue (Gerdau St. Paul Steel Mill Project) Series 7 4.50% 10/1/37 (AMT)	3,155,000	3,182,953
		<b>12,978,953</b>
Education Revenue Bonds 16.90%		
Bayton Township Lease Revenue (St. Croix Preparatory Academy) 5.75% 8/1/42	300,000	302,715
Minnesota Higher Education Facilities Authority Revenue (Augsburg College) Series 6-J1 5.00% 5/1/28 (Carleton College) Series D 5.00% 3/1/30 Series 6-T 5.00% 1/1/28 (College of St. Benedict) Series 7-M 5.00% 3/1/31 Series 7-M 5.125% 3/1/36 (Macalester College) Series 7-S 4.00% 5/1/43 (St. Catherine University) Series 7-Q 5.00% 10/1/32 (St. Mary's University) Series 5-U 4.80% 10/1/23 (St. Scholastic College) Series H 5.25% 12/1/35 (University of St. Thomas) Series 6-X 5.00% 4/1/29 Series 7-A 5.00% 10/1/39 Series 7-U 5.00% 4/1/20 Series 7-U 5.00% 4/1/21 Series 7-U 5.00% 4/1/22	1,500,000 1,120,000 1,000,000 300,000 275,000 1,250,000 700,000 1,400,000 1,000,000 2,250,000 1,000,000 495,000 450,000 750,000	1,534,140 1,271,637 1,138,660 319,194 291,242 1,294,125 780,402 1,411,312 1,089,960 2,519,258 1,104,690 600,415 549,180 919,590
St. Paul Housing & Redevelopment Authority Charter School Lease Revenue (Nova Classical Academy) Series A 6.375% 9/1/31	750,000	833,505
University of Minnesota Series A 5.00% 12/1/27 5.00% 12/1/28 5.00% 12/1/29 5.00% 12/1/31 5.00% 12/1/36 5.25% 4/1/29 Series C 5.00% 12/1/19	1,110,000 1,880,000 2,265,000 1,000,000 3,000,000 1,000,000 1,290,000	1,333,421 2,248,480 2,695,327 1,180,600 3,486,269 1,189,680 1,582,443

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		29,676,245	
<b>Electric Revenue Bonds</b>	<b>6.43%</b>		
	Central Minnesota Municipal Power Agency Revenue (Brookings Southeast Twin Cities Transportation) 5.00% 1/1/32	1,130,000	1,278,245
	Chaska Electric Revenue (Generating Facilities) Series A 5.25% 10/1/25	250,000	276,550
	Minnesota Municipal Power Agency Electric Revenue Series A 5.00% 10/1/34 5.25% 10/1/19	1,900,000 1,610,000	2,007,160 1,721,283
	Southern Minnesota Municipal Power Agency Supply Revenue Series A 5.25% 1/1/30	1,000,000	1,117,850
	Western Minnesota Municipal Power Agency Supply Revenue Series A 5.00% 1/1/25 5.00% 1/1/26	3,000,000 1,000,000	3,676,350 1,213,810
			11,291,248
<b>Healthcare Revenue Bonds</b>	<b>40.12%</b>		
	Anoka Health Care Facility Revenue (Homestead Anoka Income Project) Series A 7.00% 11/1/46	1,200,000	1,294,644
	Center City Health Care Facilities Revenue (Hazelden Foundation Project) 4.75% 11/1/31 5.00% 11/1/41	850,000 1,600,000	900,482 1,724,032
	Duluth Economic Development Authority Revenue (St. Luke's Hospital Authority Obligation Group) 5.75% 6/15/32 6.00% 6/15/39	200,000 1,000,000	213,538 1,079,150
	Fergus Falls Health Care Facilities Revenue (Lake Region Healthcare) 5.00% 8/1/30	1,000,000	1,041,670
	Glencoe Health Care Facilities Revenue (Glencoe Regional Health Services Project) 5.00% 4/1/25	2,000,000	2,020,780
	Maple Grove Health Care System Revenue (Maple Grove Hospital) 5.25% 5/1/37	1,100,000	1,146,112
	Minneapolis Health Care System Revenue (Fairview Health Services) Series A 6.375% 11/15/23 Series A 6.625% 11/15/28 Series B 6.50% 11/15/38 (ASSURED GTY) Series D 5.00% 11/15/34 (AMBAC)	605,000 1,040,000 2,295,000 2,000,000	735,160 1,270,766 2,806,418 2,057,180

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	Principal Amount	Value
<b>Municipal Bonds (continued)</b>		
Healthcare Revenue Bonds (continued)		
Minneapolis Revenue (National Marrow Donor Program Project) 4.875% 8/1/25	\$ 1,000,000	\$ 1,038,390
Minnesota Agricultural & Economic Development Board Revenue Un-Refunded Balance Series A 5.75% 11/15/26 (NATL-RE) 6.375% 11/15/29	100,000 195,000	100,173 195,778
Rochester Health Care & Housing Revenue (Samaritan Bethany) Series A 7.375% 12/1/41	1,220,000	1,370,694
Rochester Health Care Facilities Revenue (Mayo Clinic) 4.00% 11/15/41 Series A 4.00% 11/15/30 Series C 4.50% 11/15/38	8,780,000 1,240,000 2,000,000	9,151,657 1,430,154 2,384,520
Sartell Health Care Facility Revenue (Country Manor Campus Project) 5.25% 9/1/30	1,000,000	1,024,230
Shakopee Health Care Facilities Revenue (St. Francis Regional Medical Center) 5.25% 9/1/34	1,560,000	1,583,353
St. Cloud Health Care Revenue (Centracare Health System Project) 5.50% 5/1/39 (ASSURED GTY) Series A 5.125% 5/1/30	1,500,000 4,425,000	1,648,740 4,883,209
St. Louis Park Health Care Facilities Revenue (Park Nicollet Health Services) 5.75% 7/1/39 Series C 5.50% 7/1/23	3,315,000 1,000,000	3,721,850 1,123,320
St. Paul Housing & Redevelopment Authority Health Care Revenue (Allina Health System) Series A 5.00% 11/15/18 (NATL-RE) Series A-1 5.25% 11/15/29 (Childrens Health Care Facilities) Series A1 5.00% 8/15/34 (AGM) (Episcopal Homes Project) Series A 4.75% 11/1/31 (Franciscan Health Elderly Project) 5.40% 11/20/42 (GNMA) (FHA) (Health East Project) 6.00% 11/15/30 6.00% 11/15/35 (Health Partners Obligation Group Project) 5.25% 5/15/36 (Regions Hospital Project) 5.30% 5/15/28 (Senior Carondelet Village Project) Series A 6.00% 8/1/42	1,380,000 1,395,000 500,000 740,000 2,700,000 2,775,000 2,500,000 2,000,000 1,000,000 770,000	1,608,114 1,558,745 544,150 745,128 2,703,213 2,982,848 2,677,425 2,090,820 1,001,150 817,062
Washington County Housing & Redevelopment Authority Revenue (Birchwood & Woodbury Projects) Series A 5.625% 6/1/37	1,500,000	1,533,405
Wayzata Senior Housing Revenue (Folkestone Senior Living Community) Series A 5.50% 11/1/32 5.75% 11/1/39 6.00% 5/1/47	420,000 945,000 1,475,000	447,031 1,014,883 1,595,257
Winona Health Care Facilities Revenue (Winona Health		

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	Obligated Group)		
	4.65% 7/1/26	465,000	488,492
	4.75% 7/1/27	785,000	821,793
	5.00% 7/1/23	1,010,000	1,095,820
	5.00% 7/1/34	750,000	785,325
			<b>70,456,661</b>
<b>Housing Revenue Bonds</b>	<b>6.31%</b>		
	Minneapolis Multifamily		
	Housing Revenue		
	(Gaar Scott Loft Project)		
	5.95% 5/1/30 (AMT)		
	(LOC-U.S. Bank N.A.)	835,000	837,689
	(Olson Townhomes Project)		
	6.00% 12/1/19 (AMT)	600,000	600,240
	(Seward Towers Project)		
	5.00% 5/20/36 (GNMA)	2,000,000	2,044,119
	(Sumner Housing Project) Series A		
	5.15% 2/20/45 (GNMA) (AMT)	2,000,000	2,010,100
	Minnesota State Housing Finance		
	Agency Revenue (Mortgage-		
	Backed Securities Program)		
	4.40% 7/1/32 (GNMA)		
	(FNMA) (FHLMC)	1,460,000	1,616,804
	(Rental Housing)		
	Series A 5.00% 2/1/35 (AMT)	1,000,000	1,003,620
	(Residential Housing)		
	Series D 4.75% 7/1/32 (AMT)	880,000	905,485
	Series I 5.15% 7/1/38 (AMT)	625,000	642,981
	Series L 5.10% 7/1/38 (AMT)	1,330,000	1,420,906
			<b>11,081,944</b>
<b>Lease Revenue Bonds</b>	<b>14.94%</b>		
	Andover Economic Development		
	Authority Public Facilities		
	Lease Revenue (Andover		
	Community Center)		
	5.125% 2/1/24	205,000	212,442
	5.20% 2/1/29	410,000	425,141

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## Statements of net assets

Delaware Investments<sup>®</sup> Minnesota Municipal Income Fund II, Inc.

	Principal Amount	Value
<b>Municipal Bonds (continued)</b>		
Lease Revenue Bonds (continued)		
St. Paul Port Authority Lease Revenue (Cedar Street Office Building Project)		
5.00% 12/1/22	\$ 2,385,000	\$ 2,394,302
5.25% 12/1/27	2,800,000	2,810,640
(Robert Street Office Building Project)		
Series 3-11 5.00% 12/1/27	2,000,000	2,057,900
State of Minnesota General Fund Revenue Appropriations Series B		
4.00% 3/1/26	3,720,000	4,123,620
5.00% 3/1/27	2,160,000	2,574,871
5.00% 3/1/29	3,525,000	4,147,304
University of Minnesota Special Purpose Revenue (State Supported Biomed Science Research)		
5.00% 8/1/35	1,040,000	1,192,703
5.00% 8/1/36	4,000,000	4,597,519
Virginia Housing & Redevelopment Authority Health Care Facility Lease Revenue		
5.25% 10/1/25	680,000	703,705
5.375% 10/1/30	965,000	1,006,080
		<b>26,246,227</b>
Local General Obligation Bonds 8.45%		
City of Willmar (Rice Memorial Hospital Project)		
Series A 4.00% 2/1/32	2,940,000	3,128,130
Dakota County Community Development Agency (Senior Housing Facilities)		
Series A 5.00% 1/1/23	1,100,000	1,184,623
Hopkins Independent School District #270 Series A 5.00% 2/1/28	1,000,000	1,172,710
Rocori Independent School District #750 (School Building) Series B		
5.00% 2/1/22	1,010,000	1,193,588
5.00% 2/1/24	1,075,000	1,264,523
5.00% 2/1/25	1,115,000	1,307,527
5.00% 2/1/26	1,155,000	1,354,434
Shakopee Independent School District #720 (School Building-Crossover)		
5.00% 2/1/23	1,440,000	1,803,398
Thief River Falls Independent School District #564 (School Building)		
Series A 4.00% 2/1/32	1,160,000	1,252,742
Washington County Housing & Redevelopment Authority Series B		
5.50% 2/1/22 (NATL-RE)	525,000	527,037
5.50% 2/1/32 (NATL-RE)	655,000	657,260
		<b>14,845,972</b>
§Pre-Refunded/Escrowed to Maturity Bonds 17.94%		
Dakota-Washington Counties Housing & Redevelopment		

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Authority Revenue (Bloomington Single Family Residential Mortgage) Series B 8.375% 9/1/21 (GNMA) (FHA) (VA) (AMT)	7,055,000	10,162,022
Southern Minnesota Municipal Power Agency Supply Revenue Refunding Series A 5.75% 1/1/18-13	3,350,000	3,585,472
St. Paul Housing & Redevelopment Authority Sales Tax (Civic Center Project) 5.55% 11/1/23 5.55% 11/1/23 (NATL-RE) (IBC)	2,300,000 4,200,000	2,573,631 4,699,674
University of Minnesota Hospital & Clinics 6.75% 12/1/16	2,580,000	3,041,175
University of Minnesota Series A 5.50% 7/1/21 5.75% 7/1/18	4,000,000 2,000,000	4,992,360 2,458,900
		31,513,234
Special Tax Revenue Bonds 7.69%		
Guam Government Business Privilege Tax Revenue Series A 5.25% 1/1/36	150,000	167,427
Hennepin County Sales Tax Revenue (Second Lien-Ballpark Project) Series B 4.75% 12/15/27	1,905,000	2,146,440
Minneapolis Community Planning & Economic Development Department (Limited Tax Supported Common Bond Fund) 6.25% 12/1/30 Series 1 5.50% 12/1/24 (AMT) Series 5 5.70% 12/1/27	1,000,000 1,000,000 375,000	1,210,210 1,069,760 377,194
Minnesota Public Safety Radio 5.00% 6/1/23	2,845,000	3,352,149
Puerto Rico Sales Tax Financing Revenue ^(Capital Appreciation) Series A 5.73% 8/1/44 (NATL-RE) First Subordinate Series A 5.75% 8/1/37 Series C 5.00% 8/1/40 5.25% 8/1/40	8,485,000 1,200,000 985,000 485,000	1,371,515 1,278,816 1,019,918 510,555
St. Paul Port Authority (Brownsfields Redevelopment Tax) Series 2 5.00% 3/1/37	895,000	995,464
		13,499,448

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	Principal Amount	Value
<b>Municipal Bonds (continued)</b>		
State & Territory General Obligation Bonds 9.16%		
Minnesota State Refunding (State Various Purpose)		
Series D 5.00% 8/1/24	\$ 2,700,000	\$ 3,270,753
Minnesota State (State Trunk Highway) Series B 5.00% 10/1/22	5,500,000	6,875,275
5.00% 10/1/29	3,715,000	4,436,973
Puerto Rico Commonwealth Public Improvement Series A 5.75% 7/1/41	1,500,000	1,506,210
		16,089,211
Transportation Revenue Bonds 3.37%		
Minneapolis - St. Paul Metropolitan Airports Commission Revenue 5.00% 1/1/22	670,000	802,848
Series A 5.00% 1/1/35 (AMBAC)	2,000,000	2,108,260
Series B 5.00% 1/1/26	540,000	632,826
Series B 5.00% 1/1/27	1,190,000	1,384,517
Series B 5.00% 1/1/30	500,000	572,560
St. Paul Port Authority Revenue (Amherst H Wilder Foundation) Series 3 5.00% 12/1/36	380,000	424,148
		5,925,159
Water & Sewer Revenue Bonds 1.61%		
Metropolitan Council Wastewater Revenue Series B 4.00% 9/1/27	1,145,000	1,262,901
St. Paul Sewer Revenue Series D 5.00% 12/1/21	1,325,000	1,564,758
		2,827,659
<b>Total Municipal Bonds</b>		
(cost \$232,122,331)		<b>246,431,961</b>
<b>Total Value of Securities 140.31%</b>		
(cost \$232,122,331)		<b>246,431,961</b>
<b>Liquidation Value of Preferred</b>		
<b>Stock (42.70%)</b>		<b>(75,000,000)</b>
<b>Receivables and Other Assets Net of Liabilities 2.39%</b>		
		<b>4,197,259</b>
<b>Net Assets Applicable to 11,504,975</b>		
<b>Shares Outstanding; Equivalent to</b>		
<b>\$15.27 Per Share 100.00%</b>		<b>\$ 175,629,220</b>
<b>Components of Net Assets at March 31, 2013:</b>		
Common stock, \$0.01 par value, 200 million shares authorized to the Fund		\$ 157,931,075
Undistributed net investment income		1,759,475
Accumulated net realized gain on investments		1,629,040
Net unrealized appreciation of investments		14,309,630
Total net assets		\$ 175,629,220

Variable rate security. The rate shown is the rate as of March 31, 2013. Interest rates reset periodically.

§Pre-refunded bonds. Municipal bonds that are generally backed or secured by U.S. Treasury bonds. For pre-refunded bonds, the stated maturity is followed by the year in which the bond is pre-refunded. See Note 9 in Notes to financial statements.

^Zero coupon security. The rate shown is the yield at the time of purchase.

See Note 6 in Notes to financial statements.

**Summary of Abbreviations:**

AGM Insured by Assured Guaranty Municipal Corporation  
 AMBAC Insured by AMBAC Assurance Corporation  
 AMT Subject to Alternative Minimum Tax  
 ASSURED GTY Insured by Assured Guaranty Corporation  
 FHA Federal Housing Administration  
 FHLMC Federal Home Loan Mortgage Corporation collateral

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FNMA Federal National Mortgage Association collateral  
GNMA Government National Mortgage Association collateral  
IBC Insured Bond Certificate  
LOC Letter of Credit  
NATL-RE Insured by National Public Finance Guarantee Corporation  
VA Veterans Administration collateral

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

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## Statements of net assets

Delaware Investments<sup>®</sup> National Municipal Income Fund  
March 31, 2013

	Principal Amount	Value
<b>Municipal Bonds 143.61%</b>		
Corporate-Backed Revenue Bonds 15.82%		
Buckeye, Ohio Tobacco Settlement Financing Authority Asset-Backed Senior Turbo Series A-2 5.875% 6/1/47 6.50% 6/1/47	\$ 480,000 430,000	\$ 427,642 419,022
Golden State, California Tobacco Securitization Corporate Settlement Revenue (Asset-Backed Senior Notes) Series A-1 5.125% 6/1/47 5.75% 6/1/47	500,000 1,615,000	439,320 1,554,210
Harris County, Texas Industrial Development Solid Waste Disposal Revenue (Deer Park Refining Project) 5.00% 2/1/23	150,000	167,156
Illinois Railsplitter Tobacco Settlement Authority 6.25% 6/1/24	500,000	555,800
Louisiana Local Government Environmental Facilities & Community Development Authority (Westlake Chemical) Series A 6.50% 8/1/29 Series A-1 6.50% 11/1/35	645,000 255,000	765,338 300,301
Maryland Economic Development Port Facilities Revenue (CNX Marine Terminals) 5.75% 9/1/25	260,000	289,060
M-S-R Energy Authority, California Gas Series C 7.00% 11/1/34	1,000,000	1,400,420
Navajo County, Arizona Pollution Control Revenue Series D 5.75% 6/1/34	500,000	562,400
New Jersey Economic Development Authority Special Facilities Revenue (Continental Airlines Project) 5.25% 9/15/29 (AMT)	500,000	516,880
New York Liberty Development Revenue (Goldman Sachs Headquarters) 5.25% 10/1/35	500,000	586,020
Ohio State Air Quality Development Authority Revenue (First Energy Generation) Series A 5.70% 8/1/20	260,000	310,666
Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue (Allegheny Energy Supply) 7.00% 7/15/39	345,000	411,292
Pima County, Arizona Industrial Development Authority Pollution Control Revenue (Tucson Electric Power San Juan) 5.75% 9/1/29	250,000	263,758
Salt Verde Financial, Arizona Gas Revenue Senior Note 5.00% 12/1/37	400,000	447,496
St. John the Baptist Parish, Louisiana (Marathon Oil) Series A		

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	5.125% 6/1/37		500,000	530,085
	Suffolk County, New York Tobacco Asset Securitization Series B 5.00% 6/1/32		750,000	792,615
				10,739,481
Education Revenue Bonds	24.78%			
	Arizona Board of Regents System Revenue (University of Arizona) Series A 5.00% 7/1/33 5.00% 6/1/39		1,000,000	1,150,549
			500,000	559,405
	Bowling Green, Ohio Student Housing Revenue (CFP I State University Project) 6.00% 6/1/45		270,000	299,819
	Build New York City, New York Resource (International Leadership Charter School) 6.00% 7/1/43		500,000	501,465
	California Statewide Communities Development Authority School Facility Revenue (Aspire Public Schools) 6.125% 7/1/46		625,000	661,350
	California Statewide Communities Development Authority Student Housing Revenue (Irvine, LLC - UCI East Campus) 6.00% 5/15/23		470,000	530,367
	Delaware County, Pennsylvania Authority (Villanova University) 5.00% 8/1/20		500,000	601,030
	Iowa Higher Education Loan Authority Revenue (Private College Facility) 5.00% 10/1/38		500,000	532,785
	Marietta, Georgia Development Authority Revenue (Life University Income Project) 7.00% 6/15/39		430,000	462,267
	Maryland Health & Higher Educational Facilities Authority (Loyola University) Series A 5.00% 10/1/39		650,000	735,300
	Maryland State Economic Development Student Housing Revenue (University of Maryland College Park Projects) 5.75% 6/1/33		370,000	402,590
	Massachusetts State Health & Educational Facilities Authority Revenue (Harvard University) Series A 5.00% 12/15/29		600,000	711,630
	Missouri State Health & Educational Facilities Authority Revenue (Washington University) Series B 5.00% 11/15/30		600,000	713,472
	Monroe County, New York Industrial Development Revenue (Nazareth College Rochester Project) 5.50% 10/1/41		495,000	546,411

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	Principal Amount	Value
<b>Municipal Bonds (continued)</b>		
Education Revenue Bonds (continued)		
Montgomery County, Pennsylvania Higher Education & Health Authority Revenue (Arcadia University) 5.25% 4/1/30	\$ 550,000	\$ 593,571
New Jersey Economic Development Authority Revenue (MSU Student Housing Project) 5.875% 6/1/42	735,000	826,022
New York City, New York Trust for Cultural Resources (Whitney Museum of American Art) 5.00% 7/1/31	500,000	555,390
New York State Dormitory Authority (Columbia University) 5.00% 10/1/41	600,000	691,086
Oregon State Facilities Authority Revenue (CHF-Ashland) 5.00% 7/1/44 (AGM) #(Concordia University Project) Series A 144A 6.125% 9/1/30	1,000,000 135,000	1,094,090 146,583
Pennsylvania State Higher Educational Facilities Authority Student Housing Revenue (Edinboro University Foundation) 5.80% 7/1/30 (University Properties - East Stroudsburg University) 5.25% 7/1/19	400,000 510,000	451,928 565,794
Phoenix, Arizona Industrial Development Authority Revenue (Eagle College Prep Project) Series A 5.00% 7/1/43 (Rowan University) 5.00% 6/1/42	500,000 1,000,000	499,960 1,075,710
Pima County, Arizona Industrial Development Authority Revenue (Edkey Charter Schools Project) 6.00% 7/1/48	500,000	501,420
Private Colleges & Universities Authority Revenue (Mercer University Project) Series A 5.00% 10/1/32	135,000	146,428
St. Lawrence County, New York Industrial Development Agency (St. Lawrence University Project) 5.00% 7/1/26	270,000	320,911
Troy, New York Capital Resource Revenue (Rensselaer Polytechnic) Series A 5.125% 9/1/40	600,000	656,886
Wyoming Community Development Authority Student Housing Revenue (CHF-Wyoming LLC) 6.50% 7/1/43	250,000	284,555
		16,818,774
Electric Revenue Bonds 4.75%		
Puerto Rico Electric Power Authority Revenue Series A 5.00% 7/1/42	830,000	764,820
Series TT 5.00% 7/1/26	1,165,000	1,153,233
Series WW 5.50% 7/1/38	200,000	199,576
Series XX 5.25% 7/1/40	805,000	772,832
Series ZZ 5.25% 7/1/26	330,000	332,845
		3,223,306
Healthcare Revenue Bonds 20.02%		

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Arizona Health Facilities Authority Revenue (Catholic Healthcare West) Series D 5.00% 7/1/28	500,000	543,995
Brevard County, Florida Health Facilities Authority Revenue (Heath First Project) 7.00% 4/1/39	90,000	109,963
Butler County, Pennsylvania Hospital Authority Revenue (Butler Health System Project) 7.125% 7/1/29	300,000	373,311
Hawaii Pacific Health Special Purpose Revenue Series A 5.50% 7/1/40	300,000	328,581
Illinois Finance Authority Revenue (Franciscan Communities) Series A 5.125% 5/15/43 (Silver Cross & Medical Centers) 7.00% 8/15/44	450,000	531,864
Koyukuk, Alaska Revenue (Tanana Chiefs Conference Health Care Facility Project) 7.75% 10/1/41	300,000	340,191
Louisiana Public Facilities Authority Revenue (Ochsner Clinic Foundation Project) 6.50% 5/15/37	105,000	124,785
Lycoming County, Pennsylvania Authority Health System Revenue (Susquehanna Health System Project) Series A 5.50% 7/1/28	500,000	546,770
Maine Health & Higher Educational Facilities Authority Revenue (Maine General Medical Center) 6.75% 7/1/41	300,000	360,672
Maricopa County, Arizona Industrial Development Authority Health Facilities Revenue (Catholic Healthcare West) Series A 6.00% 7/1/39	500,000	568,325
Maryland Health & Higher Educational Facilities Authority Revenue (Carroll Hospital) Series A 5.00% 7/1/37	500,000	549,915
Monroe County, Pennsylvania Hospital Authority Revenue (Pocono Medical Center) Series A 5.00% 1/1/41	500,000	534,130
Montgomery County, Pennsylvania Industrial Development Authority Revenue (Mortgage-Whitemarsh Continuing Care) 6.25% 2/1/35	675,000	685,402

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## Statements of net assets

### Delaware Investments® National Municipal Income Fund

	Principal Amount	Value
<b>Municipal Bonds (continued)</b>		
<b>Healthcare Revenue Bonds (continued)</b>		
New Hampshire Health & Education Facilities Authority Revenue (Dartmouth-Hitchcock Medical Center) 6.00% 8/1/38	\$ 300,000	\$ 348,321
New Jersey Health Care Facilities Financing Authority Revenue Refunding (St. Peters University Hospital) 6.25% 7/1/35	300,000	349,461
New Mexico State Hospital Equipment Loan Council Revenue (Presbyterian Healthcare) 5.00% 8/1/39	500,000	546,405
New York State Dormitory Authority Revenue Non State Supported Debt (Orange Regional Medical Center) 6.25% 12/1/37	500,000	553,370
Ohio State Hospital Facilities Revenue Refunding (Cleveland Clinic Health) Series A 5.50% 1/1/39	300,000	347,019
Orange County, Florida Health Facilities Authority Revenue (Mayflower Retirement Center) 5.00% 6/1/32 5.00% 6/1/36 5.125% 6/1/42	400,000 250,000 750,000	423,488 262,733 790,373
Oregon Health & Science University Series E 4.00% 7/1/29	1,000,000	1,056,639
Philadelphia, Pennsylvania Hospitals & Higher Education Facilities Authority Revenue (Temple University Health System) Series A 5.50% 7/1/30	300,000	320,223
University Medical Center, Tuscon, Arizona Hospital Revenue 6.50% 7/1/39	500,000	576,785
West Virginia Hospital Finance Authority (Highland Hospital Obligation Group) 9.125% 10/1/41	500,000	639,230
Yavapai County, Arizona Industrial Development Authority Revenue (Yavapai Regional Medical Center) Series A 5.25% 8/1/21 (RADIANT)	1,500,000	1,523,999
		13,592,393
<b>Housing Revenue Bonds 2.44%</b>		
California Municipal Finance Authority Mobile Home Park Revenue (Caritas Projects) Series A 5.50% 8/15/47 6.40% 8/15/45	750,000 430,000	796,807 474,272
Florida Housing Finance Homeowner Mortgage Revenue Series 2 5.90% 7/1/29 (NATL-RE) (AMT)	185,000	187,004
Puerto Rico Housing Finance Authority (Subordinated-Capital Fund Modernization)		

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	5.50% 12/1/18 (HUD)	175,000	198,321
			1,656,404
<b>Lease Revenue Bonds</b>	<b>12.35%</b>		
	California State Public Works Board Lease Revenue (Various Capital Projects) Series A 5.00% 4/1/37	1,000,000	1,081,700
	Hudson Yards, New York Infrastructure Revenue Series A 5.75% 2/15/47	1,100,000	1,289,958
	Idaho State Building Authority Revenue (Health & Welfare Project) Series A 5.00% 9/1/24 (State Police) Series I 5.00% 9/1/23	135,000 760,000	164,487 926,539
	Minnesota State General Revenue Series B 5.00% 3/1/22	1,000,000	1,252,070
	New Jersey Economic Development Authority (School Facilities Construction) Series EE 5.00% 9/1/18	100,000	119,424
	New York City, New York Industrial Development Agency (Senior Trips) Series A 5.00% 7/1/28 (AMT)	250,000	265,195
	New York Liberty Development Revenue (4 World Trade Center) 5.75% 11/15/51	970,000	1,137,238
	Pima County, Arizona Industrial Development Authority Metro Police Facility Revenue (Nevada Project) Series A 5.25% 7/1/31 5.375% 7/1/39	500,000 500,000	539,290 543,755
	Public Finance Authority, Wisconsin Airport Facilities Refunding (AFCO Investors II Portfolio) 5.75% 10/1/31 (AMT)	500,000	496,340
	Ventura County, California Public Financing Authority Series A 5.00% 11/1/32	500,000	564,340
			8,380,336
<b>Local General Obligation Bonds</b>	<b>3.33%</b>		
	Gila County, Arizona Unified School District #10 (Payson School Improvement Project of 2006) Series A 5.25% 7/1/27 (AMBAC)	500,000	565,890
	New York City, New York Series A-1 5.25% 8/15/21 Series I-1 5.375% 4/1/36	250,000 250,000	301,068 294,060
	Ramapo Local Development, New York Revenue Refunding Guaranteed 5.00% 3/15/33	1,000,000	1,101,800
			2,262,818
<b>Special Tax Revenue Bonds</b>	<b>25.68%</b>		
	Anne Arundel County, Maryland Special Obligation Revenue (National Business Park - North Project) 6.10% 7/1/40	200,000	217,986

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	Principal Amount	Value
<b>Municipal Bonds (continued)</b>		
Special Tax Revenue Bonds (continued)		
Brooklyn Arena Local Development, New York Pilot Revenue (Barclays Center Project) 6.25% 7/15/40 6.50% 7/15/30	\$ 940,000 300,000	\$ 1,126,223 368,151
California State Economic Recovery Series A 5.25% 7/1/21	260,000	317,595
California Statewide Communities Development Authority Revenue (Statewide Inland Regional Center Project) 5.375% 12/1/37	500,000	528,585
Guam Government Business Privilege Tax Revenue Series A 5.00% 1/1/22 Series B-1 5.00% 1/1/42	775,000 1,000,000	922,831 1,089,800
Louisiana Stadium & Exposition District Refunding Senior Series A 5.00% 7/1/36	550,000	615,280
Massachusetts Bay Transportation Authority Senior Series A 5.25% 7/1/29	200,000	255,024
Miami-Dade County, Florida Special Obligation (Capital Appreciation & Income) Series B 5.00% 10/1/35 (NATL-RE)	1,000,000	1,075,970
Mosaic District, Virginia Community Development Authority Revenue Series A 6.875% 3/1/36	520,000	602,290
New Jersey Economic Development Authority Revenue 5.00% 6/15/28 5.00% 6/15/29	200,000 800,000	223,360 887,456
New Jersey Transportation Trust Fund Authority Series AA 5.00% 6/15/21	1,000,000	1,203,660
New York City, New York Industrial Development Agency Civic Facility Revenue (YMCA of Greater New York Project) 5.00% 8/1/36	1,000,000	1,040,620
New York City, New York Transitional Finance Authority Building Aid Revenue Series S1 5.00% 7/15/21	750,000	925,793
New York State Dormitory Authority (State Personal Income Tax Revenue-Education) Series A 5.00% 3/15/38	570,000	645,690
Peoria, Arizona Municipal Development Authority Sales Tax & Excise Shared Revenue (Senior Lien & Subordinate Lien) 5.00% 1/1/18	1,085,000	1,264,449
Puerto Rico Sales Tax Financing Revenue Series C 5.00% 8/1/40 First Subordinate Series A 5.75% 8/1/37 Series C 5.00% 8/1/22 Series C 6.00% 8/1/39 (Convertible Capital Appreciation Bonds) Series A 6.75% 8/1/32	600,000 245,000 530,000 300,000 220,000	621,270 261,092 619,406 324,633 227,759
Regional Transportation District, Colorado Tax Revenue (FasTracks Project) Series A 5.00% 11/1/26	500,000	602,125
San Mateo, California Special Tax		

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Community Facilities District #2008-1 (Bay Meadows) 6.00% 9/1/42	95,000	103,935
Virginia Public Building Authority Series A 5.00% 8/1/26	1,000,000	1,199,900
Wyandotte County, Kansas City, Kansas Unified Government Special Obligation Revenue (Capital Appreciation) Sales Tax Subordinate Lien Series B 6.07% 6/1/21	240,000	159,120
		17,430,003
<b>State &amp; Territory General Obligation Bonds 6.30%</b>		
California State Various Purposes 5.00% 9/1/41	460,000	501,717
5.00% 10/1/41	440,000	480,251
5.25% 11/1/40	320,000	368,666
6.00% 4/1/38	105,000	125,610
New York State Series A 5.00% 2/15/39	300,000	343,773
Oregon State Series K 5.00% 5/1/22	1,275,000	1,613,921
Puerto Rico Commonwealth (Public Improvement) Series A 5.75% 7/1/41	500,000	502,070
Series C 6.00% 7/1/39	335,000	341,693
		4,277,701
<b>Transportation Revenue Bonds 22.55%</b>		
Bay Area, California Toll Authority Revenue (San Francisco Bay Area) 5.00% 4/1/27	750,000	887,978
Central Texas Regional Mobility Authority Revenue Senior Lien 6.00% 1/1/41	520,000	603,221
Dallas/Fort Worth, Texas International Airport Series G 5.00% 11/1/33	1,000,000	1,115,090
Harris County, Texas Metropolitan Transit Authority Series A 5.00% 11/1/24	500,000	601,365
Indiana Finance Authority Revenue (Private Activity-Ohio River Bridges) 5.00% 7/1/40 (AMT)	960,000	998,630
Maryland State Economic Development Revenue (Transportation Facilities Project) Series A 5.75% 6/1/35	255,000	289,642
Metropolitan Transportation Authority, New York Series A 5.00% 11/15/41	500,000	550,150
Series E 4.00% 11/15/38	1,000,000	1,000,910

(continues) 15



## Statements of net assets

## Delaware Investments® National Municipal Income Fund

	Principal Amount	Value
<b>Municipal Bonds (continued)</b>		
<b>Transportation Revenue Bonds (continued)</b>		
Metropolitan Washington D.C. Airports Authority Dulles Toll Road Revenue (First Senior Lien) Series A 5.25% 10/1/44	\$ 245,000	\$ 270,585
New Jersey State Turnpike Authority Revenue Series A 5.00% 1/1/27	1,000,000	1,153,160
New York Liberty Development Revenue (1 World Trade Center Port Authority Construction) 5.00% 12/15/41	500,000	558,470
North Texas Tollway Authority Special Projects System Series A 5.00% 9/1/20	250,000	306,358
Pennsylvania Turnpike Commission Subordinate (Special Motor License Foundation) 5.00% 12/1/22 Series B 5.00% 12/1/41	500,000 500,000	590,075 552,715
Port Authority of New York & New Jersey Special Obligation Revenue (JFK International Air Terminal) 6.00% 12/1/42 6.50% 12/1/28	230,000 500,000	269,408 551,965
Regional Transportation, Colorado District Revenue (Denver Transit Partners) 6.00% 1/15/41	500,000	575,860
St. Louis, Missouri Airport Revenue (Lambert St. Louis International) 5.00% 7/1/32 (AMT) Series A-1 6.625% 7/1/34	1,000,000 325,000	1,057,240 383,919
Texas Private Activity Bond Surface Transportation Senior Lien Revenue (LBJ Infrastructure) 7.00% 6/30/40 7.50% 6/30/33 (NTE Mobility Partners) 6.875% 12/31/39 7.50% 12/31/31	285,000 665,000 1,000,000 500,000	344,648 834,821 1,189,159 618,175
		15,303,544
<b>Water &amp; Sewer Revenue Bonds 5.59%</b>		
Atlanta, Georgia Water & Wastewater Revenue Series A 6.25% 11/1/39	800,000	973,384
New York City, New York Municipal Water Finance Authority (Second Generation Resolution) Fiscal 2012 Series BB 5.25% 6/15/44	525,000	590,735
Phoenix, Arizona Civic Improvement Wastewater Systems Revenue (Junior Lien) Series A 5.00% 7/1/39	900,000	1,018,314
San Francisco, California City & County Public Utilities Commission Subordinate Series F 5.00% 11/1/27	500,000	588,470
Texas State Series C 5.00% 8/1/22	500,000	621,870

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3,792,773

<b>Total Municipal Bonds</b>		
(cost \$90,628,584)		\$ 97,477,533
<b>Total Value of Securities</b> 143.61%		
(cost \$90,628,584)		97,477,533
<b>Liquidation Value of Preferred Stock</b> (44.20%)		(30,000,000)
<b>Receivables and Other Assets</b>		
<b>Net of Liabilities</b> 0.59%		398,544
<b>Net Assets Applicable to</b> 4,528,443		
<b>Shares Outstanding; Equivalent to</b>		
<b>\$14.99 Per Share</b> 100.00%		\$ 67,876,077

**Components of Net Assets at March 31, 2013:**

Common stock, \$0.01 par value, unlimited shares		
authorized to the Fund		\$ 60,617,476
Undistributed net investment income		792,940
Accumulated net realized loss on investments		(383,288)
Net unrealized appreciation of investments		6,848,949
Total net assets		\$ 67,876,077

Variable rate security. The rate shown is the rate as of March 31, 2013. Interest rates reset periodically.

#Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. At March 31, 2013, the aggregate value of Rule 144A securities was \$146,583, which represented 0.22% of the Fund's net assets. See Note 9 in Notes to financial statements.

WStep coupon bond. Indicates security that has a zero coupon that remains in effect until a predetermined date at which time the stated interest rate becomes effective.

^Zero coupon security. The rate shown is the yield at the time of purchase.

See Note 6 in Notes to financial statements.

**Summary of Abbreviations:**

AGM Insured by Assured Guaranty Municipal Corporation  
 AMBAC Insured by AMBAC Assurance Corporation  
 AMT Subject to Alternative Minimum Tax  
 HUD Housing & Urban Development Section 8  
 NATL-RE Insured by National Public Finance Guarantee Corporation  
 RADIAN Insured by Radian Asset Assurance

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

## Statements of assets and liabilities

### Delaware Investments<sup>®</sup> Closed-End Municipal Bond Funds

March 31, 2013

	Delaware Investments Colorado Municipal Income Fund, Inc.	Delaware Investments Minnesota Municipal Income Fund II, Inc.	Delaware Investments National Municipal Income Fund
<b>Assets:</b>			
Investments, at value	\$ 102,632,038	\$ 246,431,961	\$ 97,477,533
Short-term investments, at value	200,000		
Cash	28,648	524,036	71,600
Receivable for securities sold		5,055	15,221
Interest income receivable	1,366,817	3,510,614	1,260,801
Offering cost for preferred shareholders	205,883	368,361	283,553
Total assets	104,433,386	250,840,027	99,108,708
<b>Liabilities:</b>			
Liquidation value of preferred stock	30,000,000	75,000,000	30,000,000
Payable for securities purchased			1,141,250
Due to manager and affiliates	18,106	43,252	14,085
Other accrued expenses	33,248	84,069	43,902
Distributions payable	33,394	83,486	33,394
Total liabilities	30,084,748	75,210,807	31,232,631
<b>Total net assets</b>	<b>\$ 74,348,638</b>	<b>\$ 175,629,220</b>	<b>\$ 67,876,077</b>
Investments, at cost	\$ 96,096,590	\$ 232,122,331	\$ 90,628,584
Short-term investments, at cost	200,000		

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

## Statements of operations

### Delaware Investments® Closed-End Municipal Bond Funds

Year Ended March 31, 2013

	Delaware Investments Colorado Municipal Income Fund, Inc.	Delaware Investments Minnesota Municipal Income Fund II, Inc.	Delaware Investments National Municipal Income Fund
<b>Investment Income:</b>			
Interest	\$ 4,627,063	\$ 10,693,539	\$ 4,325,925
<b>Expenses:</b>			
Management fees	420,228	1,007,362	389,540
Offering cost	41,896	89,457	57,464
Accounting and administration expenses	40,835	97,888	37,852
Rating agency fees	38,283	35,580	31,624
Dividend disbursing and transfer agent fees and expenses	34,674	70,814	34,868
Legal fees	31,098	37,986	34,618
Audit and tax	18,180	16,780	14,559
Reports and statements to shareholders	17,467	32,205	23,112
Pricing fees	7,313	12,239	14,432
Taxes (Pennsylvania franchise tax)	5,000	12,000	
Stock exchange fees	4,678	11,232	
Directors /Trustees fees	3,546	8,082	3,200
Dues and services	1,554	3,970	1,803
Custodian fees	1,345	3,258	1,428
Insurance fees	1,128	3,726	1,217
Registration fees	868	868	868
Consulting fees	799	1,877	676
Directors /Trustees expenses	224	536	199
Total operating expenses	669,116	1,445,860	647,460
<b>Net Investment Income</b>	<b>3,957,947</b>	<b>9,247,679</b>	<b>3,678,465</b>
<b>Net Realized and Unrealized Gain:</b>			
Net realized gain on investments	89,037	2,208,718	1,281,216
Net change in unrealized appreciation (depreciation) of investments	1,916,263	1,762,327	2,597,893
<b>Net Realized and Unrealized Gain</b>	<b>2,005,300</b>	<b>3,971,045</b>	<b>3,879,109</b>
<b>Dividends and Distributions to Preferred Shareholders</b>	<b>(411,526)</b>	<b>(1,025,435)</b>	<b>(406,627)</b>
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>\$ 5,551,721</b>	<b>\$ 12,193,289</b>	<b>\$ 7,150,947</b>

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

## Statements of changes in net assets

### Delaware Investments® Closed-End Municipal Bond Funds

	Delaware Investments Colorado Municipal Income Fund, Inc. Year Ended		Delaware Investments Minnesota Municipal Income Fund II, Inc. Year Ended	
	3/31/13	3/31/12	3/31/13	3/31/12
<b>Increase (Decrease) in Net Assets from Operations:</b>				
Net investment income	\$ 3,957,947	\$ 3,233,923	\$ 9,247,679	\$ 7,747,076
Net realized gain	89,037	976,769	2,208,718	1,701,330
Net change in unrealized appreciation (depreciation)	1,916,263	6,668,604	1,762,327	11,778,378
Dividends and distributions to preferred shareholders	(411,526)	(149,762)	(1,025,435)	(374,404)
Net increase in net assets resulting from operations	5,551,721	10,729,534	12,193,289	20,852,380
<b>Dividends and Distributions to Common Shareholders from:</b>				
Net investment income	(3,337,599)	(2,805,518)	(7,938,433)	(6,672,886)
Net realized gain	(478,873)		(460,199)	
	(3,816,472)	(2,805,518)	(8,398,632)	(6,672,886)
<b>Net Increase in Net Assets</b>	<b>1,735,249</b>	<b>7,924,016</b>	<b>3,794,657</b>	<b>14,179,494</b>
<b>Net Assets:</b>				
Beginning of year	72,613,389	64,689,373	171,834,563	157,655,069
End of year	\$ 74,348,638	\$ 72,613,389	\$ 175,629,220	\$ 171,834,563
Undistributed net investment income	\$ 800,128	\$ 598,215	\$ 1,759,475	\$ 1,504,205

	Delaware Investments National Municipal Income Fund Year Ended	
	3/31/13	3/31/12
<b>Increase (Decrease) in Net Assets from Operations:</b>		
Net investment income	\$ 3,678,465	\$ 2,343,640
Net realized gain	1,281,216	909,697
Net change in unrealized appreciation (depreciation)	2,597,893	4,515,112
Dividends and distributions to preferred shareholders	(406,627)	(18,904)
Net increase in net assets resulting from operations	7,150,947	7,749,545
<b>Dividends and Distributions to Common Shareholders from:</b>		
Net investment income	(2,762,350)	(2,295,215)
	(2,762,350)	(2,295,215)
<b>Capital Share Transactions:</b>		
Net assets from merger to Common Shareholders*		40,715,147
Tender offer**		(13,240,759)
		27,474,388
<b>Net Increase in Net Assets</b>	<b>4,388,597</b>	<b>32,928,718</b>
<b>Net Assets:</b>		
Beginning of year	63,487,480	30,558,762
End of year	\$ 67,876,077	\$ 63,487,480
Undistributed net investment income	\$ 792,940	\$ 376,432

\* See Note 7 in Notes to financial statements.

\*\*

See Note 6 in Notes to financial statements.

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

## Financial highlights

### Delaware Investments® Colorado Municipal Income Fund, Inc.

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

	Year Ended					
	3/31/13	3/31/12	3/31/11	3/31/10	3/31/09	
<b>Net asset value, beginning of period</b>	\$15.010	\$13.370	\$13.990	\$13.220	\$14.260	
<b>Income (loss) from investment operations:</b>						
Net investment income	0.818	0.669	0.601	0.607	0.755	
Net realized and unrealized gain (loss)	0.416	1.582	(0.651)	0.733	(0.965)	
Dividends and distributions on preferred stock from:						
Net investment income	(0.085)	(0.031)			(0.173)	
Total dividends and distributions on preferred stock	(0.085)	(0.031)			(0.173)	
Total from investment operations	1.149	2.220	(0.050)	1.340	(0.383)	
<b>Less dividends and distributions to common shareholders from:</b>						
Net investment income	(0.690)	(0.580)	(0.570)	(0.570)	(0.657)	
Net realized gain	(0.099)					
Total dividends and distributions	(0.789)	(0.580)	(0.570)	(0.570)	(0.657)	
<b>Net asset value, end of period</b>	\$15.370	\$15.010	\$13.370	\$13.990	\$13.220	
<b>Market value, end of period</b>	\$14.840	\$14.600	\$12.450	\$13.390	\$11.240	
<b>Total investment return based on:<sup>1</sup></b>						
Market value	6.92%	22.41%	(3.00%)	24.49%	(21.63%)	
Net asset value	7.71%	17.19%	(0.30%)	10.55%	(2.66%)	
<b>Ratios and supplemental data:</b>						
Net assets applicable to common shares, end of period (000 omitted)	\$74,349	\$72,613	\$64,689	\$67,651	\$63,952	
Ratio of expenses to average net assets applicable to common shares <sup>2</sup>	0.89%	0.73%	0.56%	0.56%	0.91%	
Ratio of net investment income to average net assets applicable to common shares <sup>2</sup>	5.27%	4.68%	4.31%	4.41%	5.55%	
Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares <sup>3</sup>	4.72%	4.46%	4.31%	4.41%	4.28%	
Portfolio turnover	8%	64%	10%	20%	16%	
<b>Leverage analysis:</b>						
Value of preferred shares outstanding (000 omitted) <sup>4</sup>	\$30,000	\$30,000	\$	\$ (135)	\$ 5,640	\$ 20,570

### Policy in-force information

The following table summarizes changes in the Life segment's in-force amounts (in thousands):

	September 30, 2015	December 31, 2014	Change
<b>Life insurance in-force</b>			
Traditional life	\$ 63,079,770	\$ 59,409,750	\$ 3,670,020
Interest-sensitive life	26,656,749	26,166,314	490,435

**Total life insurance in-force**    \$ 89,736,519      \$ 85,576,064      \$ 4,160,455

The following table summarizes changes in the Life segment's number of policies in-force:

	September 30, 2015	December 31, 2014	Change
<b>Number of policies in-force</b>			
Traditional life	1,903,744	1,949,119	(45,375)
Interest-sensitive life	211,118	205,805	5,313
<b>Total number of policies</b>	<b>2,114,862</b>	<b>2,154,924</b>	<b>(40,062)</b>

Total life insurance in-force increased during the nine months ended September 30, 2015 compared to 2014, while the total number of policies decreased for the same period, reflecting the transition to fewer but larger face amount policies.

### Annuity

Annuity segment financial results for the periods indicated were as follows (in thousands):

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Change	2015	2014	Change
<b>Premiums and other revenues</b>						
Premiums	\$ 43,514	\$ 34,661	\$ 8,853	\$ 110,045	\$ 148,250	\$ (38,205)
Other policy revenues	3,144	3,504	(360)	9,665	11,686	(2,021)
Net investment income	84,036	128,890	(44,854)	316,903	404,347	(87,444)
Other income	1,036	(1)	1,037	2,918	(1)	2,919
<b>Total premiums and other revenues</b>	<b>131,730</b>	<b>167,054</b>	<b>(35,324)</b>	<b>439,531</b>	<b>564,282</b>	<b>(124,751)</b>
<b>Benefits, losses and expenses</b>						
Policyholder benefits	54,720	43,893	10,827	145,237	180,372	(35,135)
Interest credited to policyholders account balances	44,658	67,097	(22,439)	159,726	210,687	(50,961)
Commissions for acquiring and servicing policies	20,918	10,787	10,131	41,372	37,358	4,014
Other operating expenses	13,383	12,465	918	39,380	43,394	(4,014)
Change in deferred policy acquisition costs <sup>(1)</sup>	(6,382)	8,446	(14,828)	15,148	22,056	(6,908)
<b>Total benefits and expenses</b>	<b>127,297</b>	<b>142,688</b>	<b>(15,391)</b>	<b>400,863</b>	<b>493,867</b>	<b>(93,004)</b>
<b>Income before other items and federal income taxes</b>	<b>\$ 4,433</b>	<b>\$ 24,366</b>	<b>\$(19,933)</b>	<b>\$ 38,668</b>	<b>\$ 70,415</b>	<b>\$(31,747)</b>



- (1) A negative amount of net change indicates more expense was deferred than amortized and represents a decrease to expenses in the period indicated. A positive net change indicates less expense was deferred than amortized and represents an increase to expenses in the period indicated.

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Earnings decreased during the three and nine months ended September 30, 2015 compared to 2014 primarily due to the decrease in net investment income. Net investment income declined primarily due to unrealized losses in income on over-the-counter-equity-indexed option derivatives.

**Premiums and other revenues**

Annuity premium and deposit amounts received are shown below (in thousands):

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Change	2015	2014	Change
Fixed deferred annuity	\$ 253,175	\$ 67,414	\$ 185,761	\$ 358,885	\$ 261,123	\$ 97,762
Single premium immediate annuity	48,740	40,996	7,744	128,593	171,244	(42,651)
Equity-indexed deferred annuity	120,040	67,524	52,516	254,832	185,602	69,230
Variable deferred annuity	23,717	24,514	(797)	72,544	84,960	(12,416)
<b>Total premium and deposits</b>	<b>445,672</b>	<b>200,448</b>	<b>245,224</b>	<b>814,854</b>	<b>702,929</b>	<b>111,925</b>
Less: Policy deposits	402,158	165,787	236,371	704,809	554,679	150,130
<b>Total earned premiums</b>	<b>\$ 43,514</b>	<b>\$ 34,661</b>	<b>\$ 8,853</b>	<b>\$ 110,045</b>	<b>\$ 148,250</b>	<b>\$ (38,205)</b>

We monitor account values or related changes as key indicators of performance in our Annuity segment. Shown below are the changes in account values and reserves (in thousands):

	Nine months ended September 30,	
	2015	2014
<b>Fixed deferred and equity-indexed annuity</b>		
Account value, beginning of period	\$ 8,883,398	\$ 9,355,946
Net inflows	417,608	322,605
Surrenders	(718,819)	(875,968)
Fees	(4,982)	(7,174)
Interest credited	153,196	203,460
<b>Account value, end of period</b>	<b>\$ 8,730,401</b>	<b>\$ 8,998,869</b>
<b>Single premium immediate annuity</b>		
Reserve, beginning of period	\$ 1,283,712	\$ 1,199,276
Net inflows	16,602	75,450
Interest and mortality	40,224	35,374
<b>Reserve, end of period</b>	<b>\$ 1,340,538</b>	<b>\$ 1,310,100</b>
<b>Variable deferred annuity</b>		

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Account value, beginning of period	\$ 494,516	\$ 489,305
Net inflows	70,999	83,843
Surrenders	(116,110)	(95,054)
Fees	(4,211)	(4,308)
Change in market value and other	(15,195)	19,854
<b>Account value, end of period</b>	<b>\$ 429,999</b>	<b>\$ 493,640</b>

Fixed deferred and equity-indexed annuity sales increased during the nine months ended September 30, 2015 compared to 2014. During the third quarter, the Company marketed enhanced annuity crediting rates for specific products, which were well received by the market and increased sales.

Single premium immediate annuity sales decreased during the nine months ended September 30, 2015 compared to 2014. Low interest rates challenge the attractiveness of single premium immediate annuity offerings relative to other products for many prospective customers.

Variable annuity premiums are similar for the three months ended September 30, 2015 comparable to 2014. These premiums are mostly renewal and first year deposits into group unallocated separate account funds with no minimum guarantees. A small proportion of the variable annuity premium is renewal deposits into a closed block of older retail variable annuities that do have guaranteed minimum death benefits, but with minimal risk exposure. Our total direct exposure on the guaranteed minimum death benefits associated with these products was \$1.2 million as of September 30, 2015.

**Table of Contents*****Benefits, losses and expenses***

Policyholder benefits consist of annuity payments and reserve increases for single premium immediate annuity contracts. Reserve increases are highly correlated to the sales volume of single premium immediate annuity contracts. Benefits decreased for the nine months ended September 30, 2015 compared to 2014, driven primarily by lower single premium annuity sales.

Commissions increased during the nine months ended September 30, 2015 compared to 2014 driven by the increase in fixed deferred and equity-indexed annuity sales.

Other operating expenses decreased during the nine months ended September 30, 2015 compared to 2014 due to expense management activities.

The change in DAC represents acquisition costs capitalized less the amortization of existing DAC, which is calculated in proportion to expected gross profits. The following shows the components of the change in DAC (in thousands):

	Three months ended			Nine months ended		
	September 30,		Change	September 30,		Change
	2015	2014		2015	2014	
Acquisition cost capitalized	\$ 22,031	\$ 12,219	\$ 9,812	\$ 42,264	\$ 36,413	\$ 5,851
Amortization of DAC	(15,649)	(20,665)	5,016	(57,412)	(58,469)	1,057
<b>Change in DAC</b>	<b>\$ 6,382</b>	<b>\$ (8,446)</b>	<b>\$ 14,828</b>	<b>\$ (15,148)</b>	<b>\$ (22,056)</b>	<b>\$ 6,908</b>

The amortization of DAC as a percentage of gross profits is an important ratio for the Annuity segment. Changes in this ratio reflect the impact of emerging experience. For example, if surrenders in the year are higher than what was projected in last year's DAC calculation, then DAC amortization will tend to increase relative to gross margins. The ratios for the nine months ended September 30, 2015 and 2014 were 42.7% and 33.8%, respectively. The 2014 ratio reflects the lower than projected surrenders in the second quarter of last year.

***Options and Derivatives***

The following table summarizes the incremental impact of the investment performance of equity-indexed options or option return on net investment income, and the impact of the equity-indexed annuity embedded derivatives to interest credited to policyholder's account balances (in thousands):

	Three months ended			Nine months ended		
	September 30,		Change	September 30,		Change
	2015	2014		2015	2014	
<b>Net investment income</b>						
Without option return	\$ 115,312	\$ 122,684	\$ (7,372)	\$ 349,009	\$ 376,841	\$ (27,832)
Option return	(31,276)	6,206	(37,482)	(32,106)	27,506	(59,612)
<b>Interest credited to policy account balances</b>						

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Without embedded derivatives	60,264	65,333	(5,069)	178,025	194,877	(16,852)
Equity-indexed annuity embedded derivatives	(15,606)	1,764	(17,370)	(18,299)	15,810	(34,109)

Net investment income without option return decreased during the three and nine months ended September 30, 2015 compared to 2014, primarily due to lower net investment portfolio yield and aggregate account values.

The option return, as well as the related equity-indexed annuity embedded derivatives, decreased during the three and nine months ended September 30, 2015 compared to 2014, due to the relative change in the S&P 500 Index during the respective periods. These option returns correlate to the 6.9% decrease and 0.6% increase in the S&P 500 Index during the three months ended September 30, 2015 and 2014, respectively. The nine month results correlate to the 6.7% decrease and 6.7% increase return in the S&P 500 index for 2015 and 2014, respectively.

**Table of Contents****Health**

Health segment results for the periods indicated were as follows (in thousands):

	Three months ended			Nine months ended		
	September 30, 2015	September 30, 2014	Change	September 30, 2015	September 30, 2014	Change
<b>Premiums and other revenues</b>						
Premiums	\$ 45,638	\$ 53,454	\$ (7,816)	\$ 148,610	\$ 164,169	\$ (15,559)
Net investment income	2,515	2,971	(456)	7,760	8,806	(1,046)
Other income	3,554	5,075	(1,521)	13,479	15,330	(1,851)
<b>Total premiums and other revenues</b>	<b>51,707</b>	<b>61,500</b>	<b>(9,793)</b>	<b>169,849</b>	<b>188,305</b>	<b>(18,456)</b>
<b>Benefits, losses and expenses</b>						
Claims incurred	46,236	33,193	13,043	110,289	109,859	430
Commissions for acquiring and servicing policies	6,049	9,688	(3,639)	21,195	27,031	(5,836)
Other operating expenses	10,011	10,009	2	34,314	32,701	1,613
Change in deferred policy acquisition costs <sup>(1)</sup>	589	(694)	1,283	2,326	(865)	3,191
<b>Total benefits and expenses</b>	<b>62,885</b>	<b>52,196</b>	<b>10,689</b>	<b>168,124</b>	<b>168,726</b>	<b>(602)</b>
<b>Income before other items and federal income taxes</b>	<b>\$ (11,178)</b>	<b>\$ 9,304</b>	<b>\$ (20,482)</b>	<b>\$ 1,725</b>	<b>\$ 19,579</b>	<b>\$ (17,854)</b>

(1) A negative amount of net change indicates more expense was deferred than amortized and represents a decrease to expenses in the period indicated. A positive net change indicates less expense was deferred than amortized and represents an increase to expenses in the period indicated.

Earnings decreased during the three months ended September 30, 2015 compared to 2014, primarily due to an increase in claims retained by the company from a reinsurer that was unable to meet its contractual obligations. Earnings decreased during the nine months ended September 30, 2015 compared to 2014, primarily due to the reinsurer issue mentioned above but also reflecting lower premiums and claims in the closed medical blocks of business and Medicare Supplement products.

**Premiums and other revenues**

Health earned premiums for the periods indicated were as follows (in thousands, except percentages):

**Three months ended September 30,                      Nine months ended September 30,**

	2015		2014		2015		2014	
Medicare Supplement	\$ 18,610	40.7%	\$ 21,060	39.4%	\$ 57,620	38.8%	\$ 64,413	39.2%
Medical expense	4,142	9.1	4,985	9.3	12,927	8.7	16,750	10.2
Group health	8,436	18.5	7,051	13.2	25,843	17.4	25,811	15.7
Credit accident and health	3,244	7.1	3,738	7.0	9,709	6.5	11,049	6.7
MGU	3,813	8.4	6,301	11.8	17,328	11.7	18,183	11.1
Supplemental Insurance	6,579	14.4	8,785	16.4	21,281	14.3	23,110	14.1
All other	814	1.8	1,534	2.9	3,902	2.6	4,853	3.0
<b>Total</b>	<b>\$ 45,638</b>	<b>100.0%</b>	<b>\$ 53,454</b>	<b>100.0%</b>	<b>\$ 148,610</b>	<b>100.0%</b>	<b>\$ 164,169</b>	<b>100.0%</b>

Earned premiums decreased during the three and nine months ended September 30, 2015 compared to 2014 due to the continued contraction of the closed medical expense blocks of business, and a decrease in Medicare Supplement contract sales. The decline in Medicare Supplement earned premium reflects a sales shift to a lower premium high deductible Medicare Supplement Plan. For the three months ended September 30, 2015 there was also a decrease in supplemental product sales due to Affordable Care Act regulations that required the discontinuation of a previously sold product.

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The number of in-force certificates and policies as of the dates indicated are as follows:

	September 30, 2015		December 31, 2014	
Medicare Supplement	35,716	6.5%	38,245	6.0%
Medical expense	2,838	0.5	3,313	0.5
Group	16,112	2.9	16,877	2.6
Credit accident and health	207,424	37.6	227,790	35.8
MGU	187,831	34.1	239,537	37.6
Supplemental Insurance	63,558	11.5	70,207	11.0
All other	38,187	6.9	41,417	6.5
<b>Total</b>	<b>551,666</b>	<b>100.0%</b>	<b>637,386</b>	<b>100.0%</b>

Total in-force policies decreased during the nine months ended September 30, 2015 compared to December 31, 2014, primarily due to decreases in the MGU line, credit accident and health business, and supplemental insurance. MGU inforce certificate counts decreased during this period primarily as a result of removing lesser performing groups by several MGUs. New business has originated during the year to date and it is intended that premiums written for these groups will replace portions of the cancelled groups. Credit accident and health decreased due to contraction in that market as distributors continued to shift their marketing emphasis to property and casualty products.

**Benefits, losses and expenses**

Claims incurred increased during the three months ended September 30, 2015 due to the company retaining paid losses, as well as an estimate of incurred but not reported losses for a closed block of business ceded to a reinsurer that is not expected to be able to meet its obligations under reinsurance agreements. Claims incurred during the nine months ended September 30, 2015 compared to September 30, 2014 were similar as the non-recurring third quarter 2015 increase was offset by decreasing claims incurred due to the contraction of the Medicare Supplement and Supplemental Insurance blocks consistent with the decline in sales for those products. Additionally, 2014 included a \$4.0 million charge relating to now settled reinsurance litigation.

**Change in Deferred Policy Acquisition Costs**

The following table presents the components of the change in DAC (in thousands):

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Change	2015	2014	Change
Acquisition cost capitalized	\$ 8,828	\$ 5,486	\$ 3,342	\$ 15,869	\$ 14,949	\$ 920
Amortization of DAC	(9,417)	(4,792)	(4,625)	(18,195)	(14,084)	(4,111)
<b>Change in DAC</b>	<b>\$ (589)</b>	<b>\$ 694</b>	<b>\$ (1,283)</b>	<b>\$ (2,326)</b>	<b>\$ 865</b>	<b>\$ (3,191)</b>





**Table of Contents****Property and Casualty**

Property and Casualty results for the periods indicated were as follows (in thousands, except percentages):

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Change	2015	2014	Change
<b>Premiums and other revenues</b>						
Net premiums written	\$ 302,294	\$ 282,058	\$ 20,236	\$ 900,614	\$ 854,593	\$ 46,021
Net premiums earned	\$ 291,486	\$ 279,429	\$ 12,057	\$ 849,876	\$ 820,953	\$ 28,923
Net investment income	13,316	14,523	(1,207)	41,948	44,452	(2,504)
Other income	1,538	905	633	4,110	3,550	560
<b>Total premiums and other revenues</b>	<b>306,340</b>	<b>294,857</b>	<b>11,483</b>	<b>895,934</b>	<b>868,955</b>	<b>26,979</b>
<b>Benefits, losses and expenses</b>						
Claims incurred	179,699	180,413	(714)	583,871	563,650	20,221
Commissions for acquiring and servicing policies	54,229	46,894	7,335	155,454	143,632	11,822
Other operating expenses	39,302	34,549	4,753	115,847	96,447	19,400
Change in deferred policy acquisition costs <sup>(1)</sup>	(870)	2,913	(3,783)	(1,996)	5,436	(7,432)
<b>Total benefits and expenses</b>	<b>272,360</b>	<b>264,769</b>	<b>7,591</b>	<b>853,176</b>	<b>809,165</b>	<b>44,011</b>
<b>Income before other items and federal income taxes</b>						
	<b>\$ 33,980</b>	<b>\$ 30,088</b>	<b>\$ 3,892</b>	<b>\$ 42,758</b>	<b>\$ 59,790</b>	<b>\$ (17,032)</b>
Loss ratio	61.6%	64.6%	(3.0)	68.7%	68.7%	
Underwriting expense ratio	31.8	30.2	1.6	31.7	29.9	1.8
<b>Combined ratio</b>	<b>93.4%</b>	<b>94.8%</b>	<b>(1.4)</b>	<b>100.4%</b>	<b>98.6%</b>	<b>1.8</b>
<b>Impact of catastrophe events on combined ratio</b>						
	1.5	5.3	(3.8)	6.1	7.1	(1.0)
<b>Combined ratio without impact of catastrophe events</b>						
	<b>91.9%</b>	<b>89.5%</b>	<b>(2.4)</b>	<b>94.3%</b>	<b>91.5%</b>	<b>(2.8)</b>
Gross catastrophe losses	\$ 4,346	\$ 14,487	\$ (10,141)	\$ 51,985	\$ 55,592	\$ (3,607)
Net catastrophe losses	4,151	14,652	(10,501)	51,441	56,795	(5,354)

(1)

A negative amount of net change indicates more expense was deferred than amortized and represents a decrease to expenses in the period indicated. A positive net change indicates less expense was deferred than amortized and represents an increase to expenses in the period indicated.

Property and Casualty earnings increased during the three months ended September 30, 2015 compared to 2014 due to higher premiums and decreased catastrophe claims. Property and Casualty earnings decreased during the nine months ended September 30, 2015 compared to 2014 as higher premiums were offset by increased non-catastrophe claims during the first half of the year.

### **Premiums and other revenues**

Net premiums written and earned increased during the three and nine months ended September 30, 2015 compared to 2014 due to increases in the commercial lines.

### ***Benefits, losses and expenses***

The decrease in claims during the three months ended September 30, 2015 compared to 2014, was primarily a result of decreases in catastrophe losses. The increase in claims during the nine months ended September 30, 2015 compared to 2014, was primarily a result of an increase in non-catastrophe weather related losses.

Operating expenses increased during the three and nine months ended September 30, 2015 compared to 2014 as a result of costs related to growth initiatives.

### ***Products***

Our Property and Casualty segment consists of: (i) Personal products, marketed primarily to individuals, representing 57.4% of net premiums written; (ii) Commercial products, which focus primarily on agricultural and other markets, representing 32.8% of net premiums written; and (iii) Credit-related property insurance products, which are marketed to and through financial institutions and retailers, representing 9.8% of net premiums written.

**Table of Contents****Personal Products**

Personal Products results for the periods indicated were as follows (in thousands, except percentages):

	Three months ended			Nine months ended		
	September 30, 2015	2014	Change	September 30, 2015	2014	Change
<b>Net premiums written</b>						
Automobile	\$ 106,295	\$ 102,678	\$ 3,617	\$ 312,070	\$ 304,776	\$ 7,294
Homeowner	64,217	63,073	1,144	172,667	172,294	373
Other Personal	11,055	10,582	473	32,512	40,193	(7,681)
<b>Total net premiums written</b>	<b>\$ 181,567</b>	<b>\$ 176,333</b>	<b>\$ 5,234</b>	<b>\$ 517,249</b>	<b>\$ 517,263</b>	<b>\$ (14)</b>
<b>Net premiums earned</b>						
Automobile	\$ 102,621	\$ 99,957	\$ 2,664	\$ 302,769	\$ 298,612	\$ 4,157
Homeowner	56,364	56,720	(356)	165,705	164,799	906
Other Personal	10,354	9,491	863	30,375	37,554	(7,179)
<b>Total net premiums earned</b>	<b>\$ 169,339</b>	<b>\$ 166,168</b>	<b>\$ 3,171</b>	<b>\$ 498,849</b>	<b>\$ 500,965</b>	<b>\$ (2,116)</b>
<b>Loss ratio</b>						
Automobile	77.0%	79.4%	(2.4)	78.4%	76.1%	2.3
Homeowner	42.7	55.3	(12.6)	64.7	73.3	(8.6)
Other Personal	60.2	65.3	(5.1)	61.7	46.3	15.4
<b>Personal line loss ratio</b>	<b>64.6%</b>	<b>70.3%</b>	<b>(5.7)</b>	<b>72.8%</b>	<b>73.0%</b>	<b>(0.2)</b>
<b>Combined Ratio</b>						
Automobile	102.2%	103.8%	(1.6)	103.5%	99.1%	4.4
Homeowner	70.2	81.6	(11.4)	91.9	98.5	(6.6)
Other Personal	83.6	112.6	(29.0)	86.0	68.9	17.1
<b>Personal line combined ratio</b>	<b>90.4%</b>	<b>96.7%</b>	<b>(6.3)</b>	<b>98.6%</b>	<b>96.6%</b>	<b>2.0</b>

*Automobile:* Net premiums written and earned increased during the three and nine months ended September 30, 2015 compared to 2014, due to increases in sales volume and rates. The loss ratio increased during the nine months ended September 30, 2015 compared to 2014, primarily due to an increase in non-catastrophe weather related claim activity compared to the prior year.

*Homeowners:* Net premiums written increased during the three and nine months ended September 30, 2015 compared to 2014, primarily due to increases in sales of homeowner products to renters. The loss ratio improved during the three and nine months ended September 30, 2015 compared to 2014 due to continued improvement in rate adequacy.

*Other Personal:* These products include watercraft, rental-owner and umbrella coverages for individuals seeking to protect their personal property and liability not covered within their home and auto policies. The loss ratio decreased during the three months ended September 30, 2015 compared to 2014, due to decreased claim activity. The loss ratio increased during the nine months ended September 30, 2015 compared to 2014, due to increased catastrophe claim activity during the first half of 2015 and lower than typical loss results in 2014.



**Table of Contents****Commercial Products**

Commercial Products results for the periods indicated were as follows (in thousands, except percentages):

	Three months ended			Nine months ended		
	September 30, 2015	2014	Change	September 30, 2015	2014	Change
<b>Net premiums written</b>						
Other Commercial	\$ 33,840	\$ 32,208	\$ 1,632	\$ 127,194	\$ 106,398	\$ 20,796
Agricultural Business	30,388	31,515	(1,127)	96,161	94,311	1,850
Automobile	19,469	18,952	517	72,038	69,103	2,935
<b>Total net premiums written</b>	<b>\$ 83,697</b>	<b>\$ 82,675</b>	<b>\$ 1,022</b>	<b>\$ 295,393</b>	<b>\$ 269,812</b>	<b>\$ 25,581</b>
<b>Net premiums earned</b>						
Other Commercial	\$ 38,946	\$ 37,632	\$ 1,314	\$ 113,578	\$ 95,527	\$ 18,051
Agricultural Business	30,561	28,545	2,016	89,725	87,408	2,317
Automobile	22,391	22,595	(204)	65,242	61,377	3,865
<b>Total net premiums earned</b>	<b>\$ 91,898</b>	<b>\$ 88,772</b>	<b>\$ 3,126</b>	<b>\$ 268,545</b>	<b>\$ 244,312</b>	<b>\$ 24,233</b>
<b>Loss ratio</b>						
Other Commercial	52.2%	61.2%	(9.0)	61.6%	82.2%	(20.6)
Agricultural Business	58.8	61.7	(2.9)	76.6	62.2	14.4
Automobile	82.1	66.2	15.9	75.5	69.1	6.4
<b>Commercial line loss ratio</b>	<b>61.7%</b>	<b>62.7%</b>	<b>(1.0)</b>	<b>70.0%</b>	<b>71.7%</b>	<b>(1.7)</b>
<b>Combined ratio</b>						
Other Commercial	79.1%	81.0%	(1.9)	89.8%	109.4%	(19.6)
Agricultural Business	101.3	101.7	(0.4)	117.2	99.6	17.6
Automobile	105.3	87.6	17.7	100.2	93.1	7.1
<b>Commercial line combined ratio</b>	<b>92.9%</b>	<b>89.4%</b>	<b>3.5</b>	<b>101.5%</b>	<b>101.8%</b>	<b>(0.3)</b>

*Other Commercial:* Net premiums written and earned increased during the three and nine months ended September 30, 2015 compared to 2014, primarily due to increased premium per policy for the workers compensation and business owners products. Improvement in the loss and combined ratios for the three and nine months ended September 30, 2015 compared to 2014 are primarily due to favorable case reserve development on workers compensation claims.

*Agricultural Business:* Our agricultural business product allows policyholders to customize and cover their agriculture exposure using a package policy which includes coverage for residences and household contents, farm buildings and building contents, personal and commercial liability and personal property. Net premiums earned increased during the three and nine months ended September 30, 2015 compared to 2014 primarily as a result of improved rate adequacy. The loss and combined ratios increased during the nine months ended September 30, 2015 compared to 2014 primarily due to increases in both frequency of catastrophe claims and the severity of fire losses.

*Automobile:* Net premiums written increased during the three and nine months ended September 30, 2015 compared to 2014, primarily due to improved rate adequacy. The loss and combined ratios increased during the three and nine

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months ended September 30, 2015 compared to 2014 primarily due to an increase in average severity of losses.

**Table of Contents****Credit Products**

Credit-related property product results for the periods indicated were as follows (in thousands, except percentages):

	Three months ended			Nine months ended		
	September 30,			September 30,		
	2015	2014	Change	2015	2014	Change
Net premiums written	\$ 37,030	\$ 23,050	\$ 13,980	\$ 87,972	\$ 67,518	\$ 20,454
Net premiums earned	30,249	24,489	5,760	82,482	75,676	6,806
Loss ratio	45.1%	32.2%	12.9%	39.5%	30.2%	9.3%
Combined ratio	113.8%	101.6%	12.2%	108.7%	102.2%	6.5%

Credit-related property products are offered on automobiles, furniture and appliances in connection with the financing of those items. These policies pay an amount if the insured property is lost or damaged and the amount paid is not directly related to an event affecting the consumer's ability to pay the debt.

Net written and earned premiums increased during the three and nine months ended September 30, 2015 compared to 2014 primarily due to increases in our Collateral Protection business and updated pricing initiatives resulting in rate increases in our Guaranteed Auto Protection (GAP) business.

The loss and combined ratios increased during the three and nine months ended September 30, 2015 compared to 2014 primarily due to an increase in claims in our GAP and Collateral Protection business.

**Corporate and Other**

Corporate and Other segment financial results for the periods indicated were as follows (in thousands):

	Three months ended			Nine months ended		
	September 30,			September 30,		
	2015	2014	Change	2015	2014	Change
<b>Other revenues</b>						
Net investment income	\$ 29,711	\$ 32,507	\$ (2,796)	\$ 61,856	\$ 67,366	\$ (5,510)
Realized investments gains, net	(11,879)	(2,257)	(9,622)	40,694	24,503	16,191
Other Income	1,633	3,330	(1,697)	4,682	6,801	(2,119)
<b>Total other revenues</b>	<b>19,465</b>	<b>33,580</b>	<b>(14,115)</b>	<b>107,232</b>	<b>98,670</b>	<b>8,562</b>
<b>Benefits, losses and expenses</b>						
Commissions	125		125	124		124
Other operating expenses	10,108	13,357	(3,249)	28,356	35,365	(7,009)
<b>Total benefits, losses and expenses</b>	<b>10,233</b>	<b>13,357</b>	<b>(3,124)</b>	<b>28,480</b>	<b>35,365</b>	<b>(6,885)</b>



**Income before other items and federal income taxes**

**\$ 9,232   \$ 20,223   \$ (10,991)   \$ 78,752   \$ 63,305   \$ 15,447**

Earnings increased during the nine months ended September 30, 2015 compared to 2014 primarily due to an increase in realized investment gains. The increase in realized investment gains is attributable to the sale of equity securities and the first quarter 2015 sale of investment real estate property. Earnings decreased for the three months ended September 30, 2015 compared to 2014 due to an increase in other-than-temporary impairments on equity securities.

**Investments**

We manage our investment portfolio to optimize the rate of return commensurate with sound and prudent asset selection and to maintain a well-diversified portfolio. Our investment operations are regulated primarily by the state insurance departments where the insurance subsidiaries are domiciled. Investment activities, including setting investment policies and defining acceptable risk levels, are subject to oversight by our Board of Directors, which is assisted by our Finance Committee and Management Risk Committee.

Our insurance and annuity products are primarily supported by investment-grade bonds, and to a lesser extent collateralized mortgage obligations and commercial mortgage loans. We purchase fixed maturity securities and designate them as either held-to-maturity or available-for-sale considering our estimated future cash flow needs.

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We also monitor the composition of our fixed maturity securities classified as held-to-maturity and available-for-sale and adjust the mix within the portfolio as investments mature or new investments are purchased.

We invest in commercial mortgage loans when the yield and credit risk compare favorably with fixed maturity securities. Individual residential mortgage loans including sub-prime or Alt-A mortgage loans have not been and are not expected to be part of our investment portfolio. We purchase real estate and equity investments based on a risk and reward analysis where we believe there are opportunities for enhanced returns.

The following summarizes the carrying values of our invested assets (other than investments in unconsolidated affiliates) by asset class (in thousands, except percentages):

	September 30, 2015		December 31, 2014	
Bonds held-to-maturity, at amortized cost	\$ 7,689,551	39.4 %	\$ 8,225,050	42.0 %
Bonds available-for-sale, at fair value	5,334,656	27.3	4,921,807	25.2
Equity securities, at fair value	1,410,636	7.2	1,516,978	7.8
Mortgage loans, net of allowance	3,444,403	17.7	3,359,586	17.2
Policy loans	406,728	2.1	405,979	2.1
Investment real estate, net of accumulated depreciation	539,571	2.8	479,062	2.4
Short-term investments	494,496	2.5	431,000	2.2
Other invested assets	186,123	1.0	220,255	1.1
<b>Total investments</b>	<b>\$ 19,506,164</b>	<b>100.0 %</b>	<b>\$ 19,559,717</b>	<b>100.0 %</b>

The decrease in our total investments at September 30, 2015 compared to December 31, 2014 was primarily a result of a decrease in the value of equity investments from market volatility.

**Bonds** We allocate most of our fixed maturity securities to support our insurance business. At September 30, 2015, our fixed maturity securities had an estimated fair value of \$13.3 billion, which was \$0.5 billion, or 3.4%, above amortized cost. At December 31, 2014, our fixed maturity securities had an estimated fair value of \$13.6 billion, which was \$0.7 billion, or 5.1%, above amortized cost. Fixed maturity securities' estimated fair value, due in one year or less, decreased from \$1.3 billion as of December 31, 2014 to \$0.8 billion as of September 30, 2015, primarily as a result of maturities.

The following table identifies the total bonds by credit quality rating, using both Standard & Poor's and Moody's ratings (in thousands, except percentages):

	September 30, 2015			December 31, 2014		
	Amortized Cost	Estimated Fair Value	% of Fair Value	Amortized Cost	Estimated Fair Value	% of Fair Value
AAA	\$ 675,926	\$ 715,070	5.4	\$ 637,613	\$ 676,728	5.0
AA	1,554,927	1,632,959	12.2	1,647,110	1,733,484	12.8
A	4,850,054	5,082,335	38.1	5,060,934	5,348,438	39.4
BBB	5,381,310	5,502,364	41.3	5,121,394	5,363,342	39.5

BB and below	416,072	394,932	3.0	452,715	452,728	3.3
<b>Total</b>	<b>\$ 12,878,289</b>	<b>\$ 13,327,660</b>	<b>100.0</b>	<b>\$ 12,919,766</b>	<b>\$ 13,574,720</b>	<b>100.0</b>

***Mortgage Loans*** We invest in commercial mortgage loans that are diversified by property-type and geography to support our insurance business. Generally, mortgage loans are secured by first liens on income-producing real estate with a loan-to-value ratio of up to 75%. Mortgage loans are carried at outstanding principal balances, adjusted for any unamortized premium or discount, deferred fees or expenses, and net of allowances. The weighted average coupon yield on the principal funded for mortgage loans was 4.6% and 4.9% at September 30, 2015 and December 31, 2014, respectively. It is likely that the weighted average yield on funded mortgage loans will decline as loans mature and new loans are originated with lower rates in the current interest rate environment.

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**Equity Securities** We invest in companies publicly traded on national U.S. stock exchanges; the cost and estimated fair value of the equity securities are as follows (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value	% of Fair Value
<b>September 30, 2015</b>					
Common stock	\$ 755,546	\$ 655,360	\$ (23,857)	\$ 1,387,049	98.3
Preferred stock	13,487	10,100		23,587	1.7
<b>Total</b>	<b>\$ 769,033</b>	<b>\$ 665,460</b>	<b>\$ (23,857)</b>	<b>\$ 1,410,636</b>	<b>100.0</b>
<b>December 31, 2014</b>					
Common stock	\$ 719,651	\$ 774,650	\$ (7,176)	\$ 1,487,125	98.0
Preferred stock	19,733	10,121	(1)	29,853	2.0
<b>Total</b>	<b>\$ 739,384</b>	<b>\$ 784,771</b>	<b>\$ (7,177)</b>	<b>\$ 1,516,978</b>	<b>100.0</b>

**Investment Real Estate** We invest in commercial real estate where positive cash flows and/or appreciation in value is expected. Real estate may be owned directly by our insurance companies or non-insurance affiliates or indirectly in joint ventures with real estate developers or investors we determine share our perspective regarding risk and return relationships. The carrying value of real estate is stated at cost, less accumulated depreciation and valuation allowances, if any. Depreciation is provided over the estimated useful lives of the properties.

**Short-Term Investments** Short-term investments are primarily commercial paper rated A2 or P2 or better by Standard & Poor's and Moody's, respectively. The amount fluctuates depending on our view of the desirability of investing in the available long-term investment opportunities and our liquidity needs, including mortgage investment-funding commitments.

**Policy Loans** For certain life insurance products, policyholders may borrow funds using the policy's cash value as collateral. The maximum amount of the policy loan depends upon the policy's surrender value. As of September 30, 2015, we had \$406.7 million in policy loans with a loan to surrender value of 61.1%, and at December 31, 2014, we had \$406.0 million in policy loans with a loan to surrender value of 57.6%. Interest rates on policy loans primarily range from 3.0% to 12.0% per annum. Policy loans may be repaid at any time by the policyholder and have priority to any claims on the policy. If the policyholder fails to repay the policy loan, funds are withdrawn from the policy's benefits.

**Net Investment Income and Net Realized Gains (Losses)**

Net investment income decreased \$100.3 million during the nine months ended September 30, 2015, primarily from decreased interest rates on bonds and mortgage loans of \$37.9 million and decreased option income of \$63.7 million due to lower gains on the S&P index.

Interest income on mortgage loans is accrued on the principal amount of the loan at the contractual interest rate. Accretion of discounts is recorded using the effective yield method. Interest income, accretion of discounts and prepayment fees are reported in net investment income. Interest is not accrued on loans generally more than 90 days

past due or when the collection of interest is not considered probable. Loans in foreclosure are placed on non-accrual status. Interest received on non-accrual status mortgage loans is included in net investment income in the period received.

Net realized gains increased \$36.1 million during the nine months ended September 30, 2015 compared to 2014. Other-than-temporary impairment on investment securities increased \$19.9 million during the nine months ended September 30, 2015 compared to 2014 primarily relating to equity investments in the energy and utility sectors.

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### ***Net Unrealized Gains and Losses***

The net unrealized gains on available-for-sale securities at September 30, 2015 and December 31, 2014 were \$0.8 billion and \$1.01 billion, respectively. Unrealized gains or losses on available-for-sale securities are recognized as other comprehensive income or loss which has no impact on earnings. The gross unrealized gains of available-for-sale securities decreased \$164.7 million to \$864.9 million during the nine months ended September 30, 2015, resulting from decreases in the value of bonds and equity securities. The gross unrealized losses of available-for-sale securities changed unfavorably by \$52.5 million, going from \$24.9 million at December 31, 2014 to \$77.4 million at September 30, 2015. The gross unrealized gains of held-to-maturity securities decreased \$82.2 million to \$394.6 million and gross unrealized losses increased from \$48.9 million at December 31, 2014 to \$91.2 million in September 30, 2015.

The fair value of our investment securities is affected by various factors, including volatility of financial markets, changes in interest rates and fluctuations in credit spread. We have the ability and intent to hold those securities in unrealized loss positions until a market price recovery or maturity. Further, it is unlikely that we will be required to sell them prior to recovery, and recovery is expected in a reasonable period of time.

### **Liquidity**

Our liquidity requirements have been and are expected to continue to be met by funds from operations, comprised of premiums received from our customers and investment income. The primary use of cash has been and is expected to continue to be payment of policyholder benefits and claims incurred. Current and expected patterns of claim frequency and severity may change from period to period but continue to be within historical norms. Management considers our current liquidity position to be sufficient to meet anticipated demands over the next twelve months. Our contractual obligations are not expected to have a significant negative impact to cash flow from operations.

Changes in interest rates during 2015 and market expectations for potentially higher rates through 2016 will likely lead to increases in the volume of annuity contracts, which may be partially offset by increases in surrenders. Freezing our defined benefit pension plans will lessen the impact of changes in interest rates on our contributions to these plans. Future contributions to our defined benefit plans are not expected to significantly impact cash flow and are expected to enhance overall funded status. No unusually large capital expenditures are expected in the next 12-24 months and we have paid dividends to stockholders for over 100 consecutive years and expect to continue this trend. There are no other known trends or uncertainties regarding product pricing, changes in product lines or rising costs, which would have a significant impact to cash flows from operations.

To ensure we will be able to continue to pay future commitments, the funds received as premium payments and deposits are invested in bonds and commercial mortgages. Funds are invested with the intent that income from the investments and proceeds from the maturities will meet our ongoing cash flow needs. We historically have not had to liquidate invested assets in order to cover cash flow needs. We believe our portfolio of highly liquid available-for-sale investment securities including equity securities is sufficient to meet future liquidity needs as necessary.

Our cash and cash equivalents and short-term investment position increased from \$640.5 million at December 31, 2014 to \$664.0 million at September 30, 2015. The increase relates to an increase in short term investments partially offset by a decrease in cash and cash equivalents as we look to minimize purchases of long term bonds beyond those needed to manage our longer term life and annuity related policyholder liabilities.

A downgrade or a potential downgrade in our financial strength ratings could result in a loss of business and could adversely affect our cash flow from operations.



**Table of Contents****Capital Resources**

Our capital resources are summarized below (in thousands):

	<b>September 30, 2015</b>	<b>December 31, 2014</b> (As Adjusted)
American National stockholders equity, excluding accumulated other comprehensive income, net of tax ( AOCI )	\$ 4,057,722	\$ 3,936,781
AOCI	376,041	490,782
<b>Total American National stockholders equity</b>	<b>\$ 4,433,763</b>	<b>\$ 4,427,563</b>

We have notes payable relating to borrowings by real estate joint ventures that we consolidate into our financial statements that are not part of our capital resources. The lenders for the notes payable have no recourse against us in the event of default by the joint ventures. Therefore, the liability we have for these notes payable is limited to our investment in the respective ventures, which totaled \$32.3 million at September 30, 2015 and \$15.0 million at December 31, 2014, respectively.

The changes in our capital resources are summarized below (in thousands):

	<b>Nine months ended September 30, 2015</b>		
	<b>Capital and Retained Earnings</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Total</b>
Net income attributable to American National	\$ 180,048	\$	\$ 180,048
Dividends to shareholders	(62,933)		(62,933)
Decrease in net unrealized gains		(117,203)	(117,203)
Defined benefit pension plan adjustment		4,549	4,549
Foreign currency transaction and translation adjustment		(2,087)	(2,087)
Other	3,826		3,826
<b>Total</b>	<b>\$ 120,941</b>	<b>\$ (114,741)</b>	<b>\$ 6,200</b>

**Statutory Capital and Surplus and Risk-based Capital**

Statutory capital and surplus is the capital of our insurance companies reported in accordance with accounting practices prescribed or permitted by the applicable state insurance departments. RBC is calculated using formulas applied to certain financial balances and activities that consider, among other things, investment risks related to the type and quality of investments, insurance risks associated with products and liabilities, interest rate risks and general



business risks. Insurance companies that do not maintain capital and surplus at a level of at least 200% of the authorized control level RBC are required to take certain actions. At September 30, 2015 and December 31, 2014, American National Insurance Company's statutory capital and surplus was \$2,924,950,000 and \$2,879,154,000, respectively. American National Insurance Company and each of its insurance subsidiaries had statutory capital and surplus at September 30, 2015 and December 31, 2014, substantially above 200% of the authorized control level.

The achievement of long-term growth will require growth in American National Insurance Company's and our insurance subsidiaries' statutory capital and surplus. Our subsidiaries may obtain additional statutory capital through various sources, such as retained statutory earnings or equity contributions from us.

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### **Contractual Obligations**

Our future cash payments associated with claims and claims adjustment expenses, life, annuity and disability obligations, contractual obligations pursuant to operating leases for office space and equipment, and notes payable have not materially changed since December 31, 2014. We expect to have the capacity to pay our obligations as they come due.

### **Off-Balance Sheet Arrangements**

We have off-balance sheet arrangements relating to a third-party marketing operation's bank loans as discussed in Note 16, Commitments and Contingencies, of the Notes to the Consolidated Financial Statements. We could be exposed to a liability for these loans, which are supported by the cash value of the underlying insurance contracts. The cash value of the life insurance policies is designed to always equal or exceed the balance of the loans. Accordingly, management does not foresee any loss related to these arrangements.

### **Related-Party Transactions**

We have various agency, consulting and service arrangements with individuals and entities considered to be related parties. Each of these arrangements has been reviewed and approved by our Audit Committee, which retains final decision-making authority for these transactions. The amounts involved, both individually and in the aggregate, with these arrangements are not material to any segment or to our overall operations. For additional details see Note 17, Related Party Transactions, of the Notes to the Consolidated Financial Statements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our market risks have not changed materially from those disclosed in our 2014 Annual Report on Form 10-K filed with the SEC on February 27, 2015.

### **ITEM 4. CONTROLS AND PROCEDURES**

The Company maintains disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) that are designed to ensure that information required to be disclosed in the Company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2015. Based upon that evaluation and subject to the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2015, the design and operation of the Company's disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Management has monitored the internal controls over financial reporting, including any material changes to the internal control over financial reporting. There were no changes in the Company's internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the nine months ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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**PART II OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

Information required for Item 1 is incorporated by reference to the discussion under the heading "Litigation" in Note 16, Commitments and Contingencies, of the Notes to the Unaudited Consolidated Financial Statements.

**ITEM 1A. RISK FACTORS**

There have been no material changes with respect to the risk factors as previously disclosed in our 2014 Annual Report on Form 10-K filed with the SEC on February 27, 2015.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

**ITEM 5. OTHER INFORMATION**

None.

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**ITEM 6. EXHIBITS**

Exhibit Number	Basic Documents
3.1	Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit No. 3.1 to the registrant's Registration Statement on Form 10-12B filed April 10, 2009).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit No. 3.2 to the registrant's Current Report on Form 8-K filed July 31, 2015).
31.1	Certification of the principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of the principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of the principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101	The following unaudited financial information from American National Insurance Company's Quarterly Report on Form 10-Q for nine months ended September 30, 2015 formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Statements of Financial Position, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to the Unaudited Consolidated Financial Statements.

**SIGNATURES**

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

By: /s/ James E. Pozzi  
Name: James E. Pozzi  
Title: *President and  
Chief Executive Officer*

By: /s/ John J. Dunn, Jr.  
Name: John J. Dunn, Jr.,  
Title: *Executive Vice President,  
Chief Financial Officer*

Date: November 06, 2015