BJS WHOLESALE CLUB INC
Form 8-K
May 20, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of report (Date of earliest event reported): May 20, 2009

BJ s Wholesale Club, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware	001-13143	04-3360747
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

One Mercer Road, Natick, Massachusetts	**01760**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s telephone number, including area code: (508) 651-7400

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On May 20, 2009, BJ s Wholesale Club, Inc. announced its earnings results for the fiscal quarter ended May 2, 2009. The full text of the press release issued in connection with the announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Form 8-K (including Exhibit 99.1) shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 (the Exchange Act) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

The following exhibit relating to Item 2.02 shall be deemed to be furnished, and not filed:

99.1 Press release issued by BJ s Wholesale Club, Inc. on May 20, 2009.

SIGNATURE

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 hereunto duly authorized.

Date: May 20, 2009	BJ s WHOLESALE CLUB, INC.
	By: /s/ Frank D. Forward Frank D. Forward
	Executive Vice President and
	Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release issued by BJ s Wholesale Club, Inc. on May 20, 2009

serif size=1>0.670 0.460 1.277 2.271 **Less dividends and distributions to common shareholders from:** Net investment income (0.360)(0.850)(0.960)(0.960)(0.960)(0.940)Net realized gain on investments (0.065)(0.071)(0.030)(0.030)(0.127)(0.191)Total dividends and distributions (0.425)(0.921)(0.990)(0.990)(1.087)(1.131) **Net asset value, end of period** $14.740 $15.100 $15.260 $15.580 $16.110 $15.920 **Market value, end of period** $15.550 $15.940 $18.650 $17.180 $16.960 $16.650 **Total investment return based on:**[2] Market value 0.26% (9.86%)14.64% 7.42% 8.76% 21.31% Net asset value 0.32% 4.35% 3.44% 2.56% 8.05% 15.37% **Ratios and supplemental data:** Net assets applicable to common shares, end of period (000 omitted) $71,322 $73,056 $73,833 $75,364 $77,903 $76,988 Ratio of expenses to average net assets applicable to common shares[3] 0.98% 1.01% 0.95% 1.03% 1.01% 1.05% Ratio of net investment income to average net assets applicable to common shares[3] 6.47% 6.49% 6.51% 6.51% 6.54% 6.83% Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares[4] 4.34% 4.56% 5.11% 5.69% 5.98% 6.08% Portfolio turnover 10% 11% 12% 5% 13% 14% **Leverage analysis:** Value of preferred shares outstanding (000 omitted) $40,000 $40,000 $40,000 $40,000 $40,000 $40,000 Net asset coverage per share of preferred shares, end of period $139,153 $141,320 $142,291 $144,205 $147,379 $146,235 Liquidation value per share of preferred shares[5] $50,000 $50,000 $50,000 $50,000 $50,000 $50,000

[1] Ratios and portfolio turnover have been annualized and total return has not been annualized.

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

[3] Ratios do not reflect the effect of dividend payments to preferred shareholders.

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

[5] Excluding any accumulated but unpaid dividends.

See accompanying notes

(continues)

Financial highlights

Delaware Investments Florida Insured Municipal Income Fund

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

	Six Months Ended 9/30/07[1] (Unaudited)			Year Ended		
		3/31/07	3/31/06	3/31/05	3/31/04	3/31/
Net asset value, beginning of period	$14.560	$14.650	$15.340	$16.200	$16.370	$15.

Income (loss) from investment operations:						
Net investment income	0.470	0.960	1.017	1.057	1.088	1.
Net realized and unrealized gain (loss) on investments	(0.406)	0.141	(0.236)	(0.675)	(0.130)	1.
Dividends on preferred stock from:						
Net investment income	(0.162)	(0.285)	(0.202)	(0.114)	(0.082)	(0.
Net realized gain on investments	(0.015)	(0.018)	(0.055)	(0.009)	(0.005)	
Total dividends on preferred stock	(0.177)	(0.303)	(0.257)	(0.123)	(0.087)	(0.
Total from investment operations	(0.113)	0.798	0.524	0.259	0.871	2.
Less dividends and distributions to common shareholders from:						
Net investment income	(0.353)	(0.820)	(0.970)	(1.020)	(0.995)	(0.
Net realized gain on investments	(0.044)	(0.068)	(0.244)	(0.099)	(0.046)	
Total dividends and distributions	(0.397)	(0.888)	(1.214)	(1.119)	(1.041)	(0.
Net asset value, end of period	$14.050	$14.560	$14.650	$15.340	$16.200	$16.
Market value, end of period	$12.680	$14.530	$16.050	$15.050	$16.650	$15.
Total investment return based on:[2]						
Market value	(10.12%)	(4.12%)	14.75%	(3.02%)	18.04%	14.1
Net asset value	(0.62%)	5.27%	2.76%	1.59%	5.59%	14.9
Ratios and supplemental data:						
Net assets applicable to common shares, end of period (000 omitted)	$34,040	$35,256	$35,492	$37,166	$39,244%	$39,
Ratio of expenses to average net assets applicable to common shares[3]	1.12%	1.10%	1.07%	1.24%	1.11%	1.1
Ratio of net investment income to average net assets applicable to common shares[3]	6.60%	6.58%	6.70%	6.75%	6.70%	6.8
Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares[4]	4.11%	4.51%	5.01%	5.97%	6.16%	6.1
Portfolio turnover	1%	9%	28%	11%	3%	1
Leverage analysis:						
Value of preferred shares outstanding (000 omitted)	$20,000	$20,000	$20,000	$20,000	$20,000	$20,
Net asset coverage per share of preferred shares, end of period	$135,100	$138,141	$138,731	$142,915	$148,110	$149,
Liquidation value per share of preferred shares[5]	$50,000	$50,000	$50,000	$50,000	$50,000	$50,

1 Ratios and portfolio turnover have been annualized and total return has not been annualized.

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

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

[4] Ratio reflects total net investment income less dividends paid to preferred shareholders divided by average net assets applicable to common shareholders.
[5] Excluding any accumulated but unpaid dividends.

See accompanying notes

Delaware Investments Minnesota Municipal Income Fund II, Inc.

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

	Six Months Ended 9/30/07[1] (Unaudited)	Year Ended 3/31/07	3/31/06	3/31/05	3/31/04	3/31/03
Net asset value, beginning of period	$14.880	$14.730	$14.890	$15.280	$15.060	$14.280
Income (loss) from investment operations:						
Net investment income	0.483	0.963	0.971	1.025	1.093	1.143
Net realized and unrealized gain (loss) on investments	(0.313)	0.225	0.012	(0.237)	0.207	0.689
Dividends on preferred stock from:						
Net investment income	(0.160)	(0.298)	(0.243)	(0.128)	(0.082)	(0.112)
Total dividends on preferred stock	(0.160)	(0.298)	(0.243)	(0.128)	(0.082)	(0.112)
Total from investment operations	0.010	0.890	0.740	0.660	1.218	1.720
Less dividends to common shareholders from:						
Net investment income	(0.330)	(0.740)	(0.900)	(1.050)	(0.998)	(0.940)
Total dividends	(0.330)	(0.740)	(0.900)	(1.050)	(0.998)	(0.940)
Net asset value, end of period	$14.560	$14.880	$14.730	$14.890	$15.280	$15.060
Market value, end of period	$13.550	$14.640	$16.200	$16.370	$16.800	$15.300
Total investment return based on:[2]						
Market value	(5.22%)	(5.13%)	4.73%	4.02%	16.87%	15.84%
Net asset value	0.20%	6.05%	4.69%	4.03%	7.99%	12.19%
Ratios and supplemental data:						
Net assets applicable to common shares, end of period (000 omitted)	$167,540	$171,143	$169,481	$107,958	$110,828	$109,212
Ratio of expenses to average net assets applicable to common shares[3,6]	1.19%	1.20%	1.07%	1.00%	0.93%	1.03%
Ratio of net investment income to average net assets applicable to common shares[3,6]	6.61%	6.52%	6.45%	6.85%	7.23%	7.74%
Ratio of net investment income to average net assets applicable to common shares net of dividends to preferred shares[4]	4.42%	4.50%	4.86%	6.00%	6.69%	6.99%
Portfolio turnover	4%	3%	8%	15%	34%	22%
Leverage analysis:						
Value of preferred shares outstanding (000 omitted)	$95,000	$95,000	$95,000	$60,000	$60,000	$60,000

Net asset coverage per share of preferred shares, end of period	$138,179	$140,075	$139,200	$139,965	$142,357	$141,010
Liquidation value per share of preferred shares[5]	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000

[1] Ratios and portfolio turnover have been annualized and total return has not been annualized.
[2] Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods.
[3] Ratios do not reflect the effect of dividend payments to preferred shareholders.
[4] Ratio reflects total net investment income less dividends paid to preferred shareholders divided by average net assets applicable to common shareholders.
[5] Excluding any accumulated but unpaid dividends.
[6] The ratio of expenses to average net assets applicable to common shares for the six month period ended September 30, 2007 and year ended 2007 includes interest and related expenses which include, but are not limited to, interest expense, remarketing fees, liquidity fees, and trustees fees in connection with the Fund s participation in inverse floater programs. See Notes 1 and 8 in Notes to Financial Statements .

See accompanying notes

19

Notes to financial statements

Delaware Investments Closed-End Municipal Bond Funds

September 30, 2007 (Unaudited)

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

The investment objective of each Fund is to provide high current income exempt from federal income tax and from the personal income tax of its state, if any, consistent with the preservation of capital. Each Fund will seek to achieve its investment objective by investing substantially all of its net assets in investment grade, tax-exempt municipal obligations of its respective state.

1. Significant Accounting Policies

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

Security Valuation Long-term debt securities are valued by an independent pricing service and such prices are believed to reflect the fair value of such securities. Short-term debt securities having less than 60 days to maturity are valued at amortized cost, which approximates market value. Other securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith under the direction of each Fund's Board of Directors/Trustees. In determining whether market quotations are readily available or fair valuation will be used, various factors will be taken into consideration, such as market closures, aftermarket trading or significant events after local market trading (e.g., government actions or pronouncements, trading volume or volatility on markets, exchanges among dealers, or news events).

In September 2006, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 157 “Fair Value Measurements” (Statement 157). Statement 157 establishes a framework for measuring fair value in generally accepted accounting principles, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. Statement 157 is intended to increase consistency and comparability among fair value estimates used in financial reporting. Statement 157 is effective for fiscal years beginning after November 15, 2007. Management does not expect the adoption of Statement 157 to have a material impact on the amounts reported in the financial statements.

Federal Income Taxes –Each Fund intends to continue to qualify for federal income tax purposes as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, and make the requisite distributions to shareholders. Accordingly, no provision for federal income taxes has been made in the financial statements.

Effective September 30, 2007, the Funds adopted FASB Interpretation No. 48 “Accounting for Uncertainty in Income Taxes” (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Funds’ tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. The adoption of FIN 48 did not result in the recording of any tax benefit or expense in the current period.

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

Interest and Related Expenses –Interest and related expenses include, but are not limited to, interest expense, remarketing fees, liquidity fees, and trustees’ fees from a Fund’s participation in inverse floater programs where the Fund have transferred its own bonds to a trust that issues floating rate securities with an aggregate principal amount equal to the principal of the transferred bonds. In conveyance of the bond, the Fund receives the inverse floating rate securities and cash from the trust. As a result of certain rights retained by the Fund, the transfer of the bond is not considered a sale, but rather a form of financing for accounting purposes whereby the cash received is recorded as a liability and interest expense is recorded based on the interest rate of the floating rate securities. Remarketing fees, liquidity fees, and trustees’ fees expenses are recorded on the accrual basis.

For the six months ended September 30, 2007, the Minnesota Municipal Fund II had an average daily liability from the participation in inverse floater programs of $8,500,000 and recorded interest expense at an average rate of 4.00%.

20

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1. Significant Accounting Policies (continued)

Other – Expenses directly attributable to a Fund are charged directly to that Fund. Other expenses common to various funds within the Delaware Investments® Family of Funds are generally allocated amongst such funds on the basis of average net assets. Management fees and some other expenses are paid monthly. Security transactions are recorded on the date the securities are purchased or sold (trade date) for financial reporting purposes. Costs used in calculating realized gains and losses on the sale of investment securities are those of the specific securities sold. Interest income is recorded on the accrual basis. Discounts and premiums are amortized to interest income over the lives of the respective securities. Each Fund declares and pays dividends from net investment income monthly and distributions from net realized gain on investments, if any, annually. In addition, in order to satisfy certain distribution requirements of the Tax Reform Act of 1986, the Funds may declare special year-end dividend and capital gains distributions during November or December to shareholders of record on a date in such month. Such distributions, if received by shareholders by January 31, are deemed to have been paid by the Funds and received by shareholders on the earlier of the date paid or December 31 of the prior year.

The Funds receive earnings credits from their custodian when positive cash balances are maintained, which are used to offset custody fees. The expense paid under this arrangement is included in custodian fees and on the Statements of operations with the corresponding expense offset shown as “expense paid indirectly.”

2. Investment Management, Administration Agreements and Other Transactions with Affiliates

In accordance with the terms of its respective investment management agreement, each Fund pays Delaware Management Company (DMC), a series of Delaware Management Business Trust and the investment manager, an annual fee of 0.40% which is calculated daily based on the average weekly net assets of each Fund, excluding the liquidation value of preferred stock.

Delaware Service Company, Inc. (DSC), an affiliate of DMC, provides accounting and administration services. Each Fund pays DSC a monthly fee computed at the annual rate of 0.04% of the Fund’s average daily net assets excluding the liquidation value of preferred stock.

At September 30, 2007, each Fund had liabilities payable to affiliates as follows:

	Arizona Municipal Fund	Colorado Insured Municipal Fund	Florida Insured Municipal Fund	Minnesota Municipal Fund II
Investment management fee payable to DMC	$22,550	$ 37,122	$ 18,038	$87,469
Accounting administration and other expenses payable to DSC	14,436	35,595	15,387	37,681
Other expenses payable to DMC and affiliates*	4,841	7,864	2,816	16,013

*DMC, as part of its administrative services, pays operating expenses on behalf of each Fund and is reimbursed on a periodic basis. Such expenses include items such as printing of shareholder reports, fees for audit, legal and tax services, stock exchange fees, custodian fees and directors/trustees fees.

As provided in the investment management agreement, each Fund bears the cost of certain legal and tax services, including internal legal and tax services provided to each Fund by DMC and/or its affiliates employees. For the six months ended September 30, 2007, each Fund was charged for internal legal and tax services provided by DMC and/or its affiliates employees as follows:

Arizona Municipal Fund	Colorado Insured Municipal Fund	Florida Insured Municipal Fund	Minnesota Municipal Fund II
$993	$1,657	$798	$3,892

Notes to financial statements

Delaware Investments Closed-End Municipal Bond Funds

3. Investments

For the six months ended September 30, 2007, the Funds made purchases and sales of investment securities other than short-term investments as follows:

	Arizona Municipal Fund	Colorado Insured Municipal Fund	Florida Insured Municipal Fund	Minnesota Municipal Fund II
Purchases	$4,463,229	$ 5,851,010	$1,059,760	$4,570,950
Sales	4,421,158	5,327,460	372,858	5,888,008

At September 30, 2007, the cost of investments and unrealized appreciation (depreciation) for federal income tax purposes has been estimated since the final tax characteristics cannot be determined until fiscal year end. At September 30, 2007 the cost of investments and unrealized appreciation (depreciation) for each Fund were as follows:

Arizona Municipal Fund	Colorado Insured Municipal Fund	Florida Insured Municipal Fund	Minnesota Municipal Fund II

Cost of investments	$64,101,387	$104,502,151	$52,521,743	$250,874,593
Aggregate unrealized appreciation	$ 2,287,914	$ 3,983,121	$ 1,112,781	$ 9,706,180
Aggregate unrealized depreciation	(459,912)	(397,481)	(401,413)	(599,190)
Net unrealized appreciation	$ 1,828,002	$ 3,585,640	$ 711,368	$ 9,106,990

4. Dividend and Distribution Information

Income and long-term capital gain distributions are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. Additionally, net short-term gains on sales of investment securities are treated as ordinary income for federal income tax purposes. The tax character of dividends and distributions paid during the six months ended September 30, 2007 and year ended March 31, 2007 was as follows:

	Arizona Municipal Fund	Colorado Insured Municipal Fund	Florida Insured Municipal Fund	Minnesota Municipal Fund II
Six Months Ended 9/30/07*				
Tax-exempt income	$1,400,415	$2,406,044	$1,245,864	$ 5,633,048
Long-term capital gain	223,999	413,163	142,813	—
Total	$1,624,414	$2,819,207	$1,388,677	$ 5,633,048
Year Ended 3/31/07				
Ordinary income	$ 15,433	$	$	$ —
Tax-exempt income	3,106,771	5,436,875	2,676,030	11,948,414
Long-term capital gain	134,934	435,594	208,722	—
Total	$3,257,138	$5,872,469	$2,884,752	$11,948,414

*Tax information for the period ended September 30, 2007 is an estimate and the tax character of dividends and distributions may be redesignated at fiscal year end.

5. Components of Net Assets on a Tax Basis

The components of net assets are estimated since final tax characteristics cannot be determined until fiscal year end. As of September 30, 2007, the estimated components of net assets on a tax basis were as follows:

	Arizona Municipal Fund	Colorado Insured Municipal Fund	Florida Insured Municipal Fund	Minnesota Municipal Fund II
Shares of beneficial interest	$40,838,893	$67,238,110	$33,361,389	$158,785,529
Realized gains 4/1/07-9/30/07	8,319	320,353	3,606	12,807
Dividends payable	(100,205)	(131,792)	(76,712)	(304,164)
Undistributed tax-exempt Income	71,938	310,155	40,488	307,987
Capital loss carryforwards	—	—	—	(369,440)
Unrealized appreciation of investments	1,828,002	3,585,640	711,368	9,106,990
Net assets	$42,646,947	$71,322,466	$34,040,139	$167,539,709

The difference between book basis and tax basis components of net assets are primarily attributable to tax deferral of losses on wash sales, tax treatment of market discount on debt instruments.

5. Components of Net Assets on a Tax Basis (continued)

For financial reporting purposes, capital accounts are adjusted to reflect the tax character of permanent book/tax differences. Reclassifications are primarily due to tax treatment of dividends and distributions, tax treatment of market discount on certain debt instruments. Results of operations and net assets were not affected by these reclassifications. For the six months ended September 30, 2007, the Funds recorded an estimate of these differences since the final tax characteristics cannot be determined until fiscal year end.

	Arizona Municipal Fund	Minnesota Municipal Fund II
Accumulated net investment loss	$ (5,888)	$ (6,548)
Accumulated net realized gain	5,888	6,548

For federal income tax purposes, capital loss carryforwards may be carried forward and applied against future capital gains. Capital loss carryforwards remaining at March 31, 2007 will expire as follows:

	Minnesota Municipal Fund II
2008	$175,394
2009	175,804
2010	8,416
2013	9,826
Total	$369,440

For the six months ended September 30, 2007, the Minnesota Municipal Fund II had capital gains of $12,807, which may reduce the capital loss carryforwards.

6. Capital Stock

Pursuant to their articles of incorporation, Arizona Municipal Fund, Colorado Insured Municipal Fund and Minnesota Municipal Fund II each have 200 million shares of $0.01 par value common shares authorized. Florida Insured Municipal Fund has been authorized to issue an unlimited amount of $0.01 par value common shares. The Funds did not repurchase any shares under the Share Repurchase Program during the six months ended September 30, 2007. Shares issuable under the Funds dividend reinvestment plan are purchased by the Funds transfer agent, Mellon Investor Services, LLC, in the open market.

For the six months ended September 30, 2007, the Funds did not have any transactions in common shares.

The Funds each have one million shares of $0.01 par value preferred shares authorized, except for Florida Insured Municipal Fund, which has an unlimited amount of $0.01 par value preferred shared authorized. The Arizona Municipal Fund and Florida Insured Municipal Fund (to be renamed National Municipal Income Fund) each currently have 250 Series A and 250 Series B preferred shares issued. Colorado Insured Municipal Fund has 800 Series A and B preferred shares issued, and Minnesota Municipal Income Fund II has 600 Series A, 600 Series B, 400 Series C and 300 Series D preferred shares issued.

Dividends for the outstanding preferred shares of each Fund are cumulative at a rate established at the initial public offering and are typically reset every 28 days based on the results of an auction. Dividend rates (adjusted for any capital gain distributions) ranged during the six months ended September 30, 2007 as follows:

Fund	Low		High
Arizona Municipal Fund	3.65%	to	5.25%
Colorado Insured Municipal Fund	3.45%	to	4.70%
Florida Insured Municipal Fund	3.60%	to	5.15%
Minnesota Municipal Fund II	3.60%	to	4.30%

(continues)

Notes to financial statements

Delaware Investments Closed-End Municipal Bond Funds

6. Capital Stock (continued)

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

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

7. Inverse Floaters

The Funds may participate in inverse floater programs where a fund transfers its own bonds to a trust that issues floating rate securities and inverse floating rate securities (inverse floaters) with an aggregate principal amount equal to the principal of the transferred bonds. The inverse floaters received by the Funds are derivative tax-exempt obligations with floating or variable interest rates that move in the opposite direction of short-term interest rates, usually at an accelerated speed. Consequently, the market values of the inverse floaters will generally be more volatile than other tax-exempt investments. The Funds typically use inverse floaters to adjust the duration of its portfolio. Duration measures a portfolio's sensitivity to changes in interest rates. By holding inverse floaters with a different duration than the underlying bonds that the Fund transferred to the trust, the Fund seeks to adjust its portfolio's sensitivity to changes in interest rates. The Funds may also invest in inverse floaters to add additional income to the Funds or to adjust the Funds' exposure to a specific segment of the yield curve. Securities held in trust relating to inverse floater programs are identified on the Statements of net assets.

8. Credit and Market Risk

The Funds use leverage in the form of preferred shares. Leveraging may result in a higher degree of volatility because each Fund's net asset value could be more sensitive to fluctuations in short-term interest rates and changes in market value of portfolio securities attributable to the leverage.

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

The Funds may invest in advanced refunded bonds, escrow secured bonds or defeased bonds. Under current federal tax laws and regulations, state and local government borrowers are permitted to refinance outstanding bonds by issuing new bonds. The issuer refinances the outstanding debt to either reduce interest costs or to remove or alter restrictive covenants imposed by the bonds being refinanced. A refunding transaction where the municipal securities are being refunded within 90 days from the issuance of the refunding issue is known as a "current refunding." "Advance refunded bonds" are bonds in which the refunded bond issue remains outstanding for more than 90 days following the issuance of the refunding issue. In an advance refunding, the issuer will use the proceeds of a new bond issue to purchase high grade interest bearing debt securities which are then deposited in an irrevocable escrow account held by an escrow agent to secure all future payments of principal and interest and bond premium of the advance refunded bond. Bonds are "escrowed to maturity" when the proceeds of the refunding issue are deposited in an escrow account for investment sufficient to pay all of the principal and interest on the original interest payment and maturity dates. Bonds are considered pre-refunded when the refunding issues proceeds are escrowed only until a permitted call date or dates on the refunded issue with the refunded issue being redeemed at the time, including any required premium. Bonds become defeased when the rights and interests of the bondholders and of their lien on the pledged revenues or other security under the terms of the bond contract are substituted with an alternative source of revenues (the escrow securities) sufficient to meet payments of principal and interest to maturity or to the first call dates. Escrowed secured bonds will often receive a rating of AAA from Moodys Investors Service, Inc., Standard & Poors Ratings Group, and/or Fitch Ratings due to the strong credit quality of the escrow securities and the irrevocable nature of the escrow deposit agreement.

Each Fund may invest up to 15% of its total assets in illiquid securities, which may include securities with contractual restrictions on resale, securities exempt from registration under Rule 144A of the Securities Act of 1933, as amended, and other securities which may not be readily marketable. The relative illiquidity of these securities may impair each Fund from disposing of them in a timely manner and at a fair price when it is necessary or desirable to do so. While maintaining oversight, each Funds Board of Trustees/Directors has delegated to DMC the day-to-day functions of determining whether individual securities are liquid for purposes of each Funds limitation on investments in illiquid assets. As of September 30, 2007, there were no Rule 144A securities and no securities have been determined to be illiquid under the Funds Liquidity Procedures.

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9. Contractual Obligations

The Funds enter into contracts in the normal course of business that contain a variety of indemnifications. The Funds maximum exposure under these arrangements is unknown. However, the Funds have not had prior claims or losses pursuant to these contracts. Management has reviewed the Funds existing contracts and expects the risk of loss to be remote.

Other Fund information (unaudited)

Delaware Investments Closed-End Municipal Bond Funds

Change in the Funds Service Providers

Effective October 1, 2007, Mellon Bank, N.A. provides fund accounting and financial administration services to each Fund. Those services include performing functions related to calculating each Funds NAV and providing financial reporting information, regulatory compliance testing and other related accounting services. For these services, each Fund pays Mellon Bank, N.A. an asset-based fee, subject to certain fee minimums, plus certain out-of-pocket expenses and transactional charges. Effective October 1, 2007, Delaware Service Company, Inc. (DSC) provides fund accounting and financial administration oversight services to the Funds. Those services include overseeing the Funds pricing process, the calculation and payment of fund expenses, and financial reporting in shareholder reports, registration statements and other regulatory filings. DSC also manages the process for the payment of dividends and distributions and the dissemination of Fund NAVs and performance data. For these services, each Fund pays DSC an asset-based fee, plus certain out-of-pocket expenses and transactional charges. The fees payable to Mellon Bank, N.A. and DSC under the service agreements described above will be allocated among all Funds in the Delaware Investments Family of Funds on a relative net asset value basis. Prior to October 1, 2007, DSC provided fund accounting and financial administration services to the Funds at an annual rate of 0.04% of each Funds average daily net assets.

Change to the Funds Investment Policies

At a meeting of the Funds Board of Directors/Trustees on August 16, 2007, the Board approved the Funds ability to invest up to 15% of total net assets in credit default swaps. The Funds began investing in credit default swaps on October 23, 2007.

Credit Default Swaps

A Fund may enter into credit default swap (CDS) contracts to the extent consistent with its investment objectives and strategies. A CDS contract is a risk-transfer instrument (in the form of a derivative security) through which one party (the purchaser of protection) transfers to another party (the seller of protection) the financial risk of a Credit Event (as defined below), as it relates to a particular reference security or basket of securities (such as an index). In exchange for the protection offered by the seller of protection, the purchaser of protection agrees to pay the seller of protection a periodic premium. In the most general sense, the benefit for the purchaser of protection is that, if a Credit Event should occur, it has an agreement that the seller of protection will make it whole in return for the transfer to the seller of protection of the reference security or securities. The benefit for the seller of protection is the premium income it receives. A Fund might use CDS contracts to limit or to reduce the risk exposure of the Fund to defaults of the issuer or issuers of its holdings (i.e., to reduce risk when the Fund owns or has exposure to such securities). A Fund also might use CDS contracts to create or vary exposure to securities or markets or as a tax management tool.

CDS transactions may involve general market, illiquidity, counterparty, and credit risks. CDS prices may also be subject to rapid movements in response to news and events affecting the underlying securities. In addition, the CDS market for municipal securities is less mature than the CDS market for taxable fixed income securities. The aggregate notional amount (typically, the principal amount of the reference security or securities) of a Funds investments in the CDS contracts will be limited to 15% of its total net assets. As the purchaser or seller of protection, a Fund may be required to segregate cash or other liquid assets to cover its obligations under certain CDS contracts.

Where a Fund is a purchaser of protection, it will designate on its books and records cash or liquid securities sufficient to cover its premium payments under the CDS. To the extent that a Fund, as a purchaser of protection, may be required in the event of a credit default to deliver to the counterparty (1) the reference security (or basket of securities), (2) a security (or basket of securities) deemed to be the equivalent of the reference security (or basket of securities), or (3) the negotiated monetary value of the obligation, the Fund will designate the reference security (or basket of securities) on its books and records as being held to satisfy its obligation under the CDS or, where the Fund does not own the reference security (or basket of securities), the Fund will designate on its books and records cash or liquid securities sufficient to satisfy the potential obligation. To the extent that the Fund, as a seller of protection, may be required in the event of a credit default to deliver to the counterparty some or all of the notional amount of the CDS, it will designate on its books and records cash or liquid securities sufficient to cover the obligation. If the CDS permits a Fund to offset its obligations against the obligations of the counterparty under the CDS, then the Fund will only designate on its books and records cash or liquid securities sufficient to cover the Funds net obligation to the counterparty, if any. All cash and liquid securities designated by a Fund to cover its obligations under CDS will be marked to market daily to cover these obligations.

As the seller of protection in a CDS contract, a Fund would be required to pay the par (or other agreed-upon) value of a reference security (or basket of securities) to the counterparty in the event of a default, bankruptcy, failure to pay, obligation acceleration, modified restructuring or agreed upon event (each of these events is a Credit Event). If a Credit Event occurs, a Fund generally would receive the security or securities to which the Credit Event relates in return for the payment to the purchaser of the par value. Provided that no Credit Event occurs, a Fund would receive from the counterparty a periodic stream of payments over the term of the contract in return for this credit protection. In addition, if no Credit Event occurs during the term of the CDS contract, a Fund would have no delivery requirement or payment obligation to the purchaser of protection. As the seller of protection, a Fund would have credit exposure to the reference security (or basket of securities). A Fund will not sell protection in a CDS contract if it cannot otherwise hold the security (or basket of securities).

As the purchaser of protection in a CDS contract, a Fund would pay a premium to the seller of protection. In return, the Fund would be protected by the seller of protection from a Credit Event on the reference security (or basket of securities). A risk in this type of transaction is that the seller of protection may fail to satisfy its payment obligations to the Fund if a Credit Event should occur. This risk is known as counterparty risk and is described in further detail below.

If the purchaser of protection does not own the reference security (or basket of securities), the purchaser of protection may be required to purchase the reference security (or basket of securities) in the case of a Credit Event on the reference security (or basket of securities). If the purchaser of protection cannot obtain the security (or basket of securities), it may be obligated to deliver a security (or basket of securities) that is deemed to be equivalent to the reference security (or basket of securities) or the negotiated monetary value of the obligation.

Each CDS contract is individually negotiated. The term of a CDS contract, assuming no Credit Event occurs, is typically between two and five years, but there is no restriction on the term of the CDS contracts in which a Fund may invest. CDS contracts may be unwound through negotiation with the counterparty. Additionally, a CDS contract may be assigned to a third party. In either case, the unwinding or assignment involves the payment or receipt of a separate payment by a Fund to terminate the CDS contract.

A significant risk in CDS transactions is the creditworthiness of the counterparty because the integrity of the transaction depends on the willingness and ability of the counterparty to meet its contractual obligations. If there is a default by a counterparty who is a purchaser of protection, a Funds potential loss is the agreed upon periodic stream of payments from the purchaser of protection. If there is a default by a counterparty that is a seller of protection, the Funds potential loss is the failure to receive the par value or other agreed upon value from the seller of protection if a Credit Event should occur. CDS contracts do not involve the delivery of collateral to support each partys obligations; therefore, a Fund will only have contractual remedies against the counterparty pursuant to the CDS agreement. As with any contractual remedy, there is no guarantee that a Fund would be successful in pursuing such remedies. For example, the counterparty may be judgment proof due to insolvency. A Fund thus assumes the risk that it will be delayed or prevented from obtaining payments owed to it.

Changes in the Delaware Investments Florida Insured Municipal Income Fund (renamed Delaware National Municipal Income Fund)

On September 13, 2007, shareholders of Delaware Investments Florida Insured Municipal Income Fund, renamed Delaware Investments National Municipal Income Fund (ASE: VFL) (the Fund), approved a proposal to change certain of the Funds fundamental investment policies at the Funds reconvened annual shareholders meeting. These changes were effective on Tuesday, October 16, 2007.

Shareholders of the Fund approved a proposal to eliminate a fundamental investment policy requiring the Fund to invest 80% of its net assets in insured, AAA-rated municipal bonds issued by the State of Florida. This change permits the Fund to, as a non-fundamental policy, (1) invest without limitation in un-insured, investment grade municipal securities (including those rated below AAA) of states other than Florida and to (2) invest up to 20% of its net assets in non-investment grade municipal securities. Consistent with its new, national investment strategy, the Fund has changed its name to Delaware Investments National Municipal Income Fund.

In addition, the Funds non-fundamental investment objective was changed to provide current income exempt from regular federal income tax, consistent with the preservation of capital. As a fundamental policy, under normal circumstances the Fund will invest at least 80% of its net assets in securities the income from which is exempt from federal income taxes. The Fund will be able to invest up to 20% of its net assets in municipal bonds with an investment rating of Ba/BB or lower, or that are unrated but judged to be of comparable quality by the Funds investment adviser. Investment in municipal bonds of below investment grade quality involves special risks as compared with investment in higher grade municipal bonds. These risks include greater sensitivity to general economic downturns. Securities rated below investment grade are commonly known as junk bonds. These securities are regarded as predominantly speculative with respect to the issuers ability to pay interest and repay principal owed.

The changes described above cause the Fund to be subject to the following additional risks, most notably increased industry and security risk, credit risk and high-yield bond risk.

Industry and Security Risk. Industry risk is the risk that the value of securities in a particular industry will decline because of changing expectations for the performance of that industry. Securities risk is the risk that the value of an individual security will decline because of changing expectations for the performance of the individual issuer of the security. To mitigate this risk, DMC spreads the Funds assets across different types of municipal bonds and among bonds representing different industries and regions within Colorado. DMC will generally concentrate investments in a particular sector when the supply of bonds in other sectors does not suit the Funds investment needs. This will expose the Fund to greater industry and security risk. However, if the Funds fundamental policy requiring it to invest primarily in insured securities is eliminated, it may be more subject to industry and security risk than it was previously because payment of interest and principal on a substantial portion of the bonds in its portfolio is no longer insured.

Geographical Diversification. It is anticipated that the Fund will transition its portfolio over time to include municipal bonds from other states and territories. During that transition period, the Fund may have significant investments in Florida municipal bonds. This could make the Fund more sensitive to economic conditions in Florida than other more geographically diversified national municipal income funds.

Credit Risk. Credit risk is the possibility that an issuer of a debt security - or an entity that insures the debt security - will be unable to make interest payments on, and to pay the principal of, a security when due. A change in the credit risk associated with a particular debt security may cause a corresponding change in that securitys price and, therefore, impact the Funds net asset value. The purpose of insurance is to protect against credit risk. In the event of a default of an insured municipal security, the insurer is contractually required to make payments of interest and principal under the terms of the municipal security. To the extent that the Fund invests more of its assets in insured municipal securities or in securities that are more highly rated, the Fund may be subject to less credit risk. There is no assurance, however, that an insurance company will meet its obligations with respect

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