

SECURITIES AND EXCHANGE COMMISSION

FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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VOYAGEUR FUNDS INC

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Business Address
90 SOUTH SEVENTH ST
STE 4400
MINNEAPOLIS MN 55402
6123718684

VOYAGEUR INVESTMENTS

YOUR TAX SENSITIVE INVESTMENT MANAGER

U.S. GOVERNMENT SECURITIES FUND

ANNUAL REPORT

Dated October 31, 1996

Voyageur offers a family of mutual funds, each with an individual objective stated in its prospectus. Investment objectives of the funds range from high current income to long-term capital appreciation. Exchange privileges allow you to change your investment between Voyageur Funds as your objectives or market conditions change.

VOYAGEUR HIGH YIELD FUNDS seek high current income free from both Federal income taxes and state income taxes (where applicable). The Funds invest in medium and lower grade municipal bonds.

Voyageur MINNESOTA High Yield Municipal Bond Fund
Voyageur NATIONAL High Yield Municipal Bond Fund

VOYAGEUR TAX FREE FUNDS seek high current income free from both Federal income taxes and state income taxes (where applicable). The Funds invest in investment grade municipal bonds.

<TABLE>

<S>	Voyageur ARIZONA Tax Free Fund	<C>	Voyageur MINNESOTA Tax Free Fund
	Voyageur CALIFORNIA Tax Free Fund		Voyageur NATIONAL Tax Free Fund
	Voyageur COLORADO Tax Free Fund		Voyageur NEW MEXICO Tax Free Fund
	Voyageur FLORIDA Tax Free Fund		Voyageur NEW YORK Tax Free Fund
	Voyageur IDAHO Tax Free Fund		Voyageur NORTH DAKOTA Tax Free Fund
	Voyageur IOWA Tax Free Fund		Voyageur UTAH Tax Free Fund
	Voyageur KANSAS Tax Free Fund		Voyageur WISCONSIN Tax Free Fund

</TABLE>

VOYAGEUR INSURED TAX FREE FUNDS seek high current income free from both Federal income taxes and state income taxes (where applicable) with the added safety of an insured portfolio. The Funds invest in insured municipal bonds.

<TABLE>

<S>	Voyageur ARIZONA Insured Tax Free Fund	<C>	Voyageur MISSOURI Insured Tax Free Fund
	Voyageur CALIFORNIA Insured Tax Free Fund		Voyageur NATIONAL Insured Tax Free Fund
	Voyageur FLORIDA Insured Tax Free Fund		Voyageur OREGON Insured Tax Free Fund
	Voyageur MINNESOTA Insured Fund		Voyageur WASHINGTON Insured Tax Free Fund

</TABLE>

VOYAGEUR LIMITED TERM FUNDS seek to preserve original investment principal while providing income free from both Federal income taxes and state income taxes (where applicable). The Funds invest in intermediate term investment grade municipal bonds.

<TABLE>

<S>	Voyageur FLORIDA Limited Term Tax Free Fund	<C>	Voyageur NATIONAL Limited Term Tax Free Fund
	Voyageur MINNESOTA Limited Term Tax Free Fund		

</TABLE>

VOYAGEUR EQUITY FUNDS seek long term capital appreciation by investing in common stocks.

<TABLE>	
<S>	<C>
Voyageur AGGRESSIVE GROWTH Fund	Voyageur GROWTH Stock Fund
Voyageur GROWTH AND INCOME Fund	Voyageur INTERNATIONAL Equity Fund

</TABLE>

VOYAGEUR INCOME FUNDS seek high current income from investments issued, guaranteed or otherwise backed by the full faith and credit of the U.S. Government.

Voyageur U.S. GOVERNMENT SECURITIES Fund

VOYAGEUR CASH TRUST SERIES MONEY MARKET FUNDS seek high current income, principal protection and liquidity by investing in money market instruments.

<TABLE>	<C>
<S>	
Voyageur CALIFORNIA MUNICIPAL CASH Series	Voyageur MUNICIPAL CASH Series
Voyageur FLORIDA MUNICIPAL CASH Series	Voyageur OHIO MUNICIPAL CASH Series
Voyageur GOVERNMENT CASH Series	Voyageur PRIME CASH Series
Voyageur MINNESOTA MUNICIPAL CASH Series	Voyageur TREASURY CASH Series

</TABLE>

For more complete information regarding the investment objectives, fees and expenses of the Funds, please obtain a prospectus from your Investment Representative or from Voyageur, 90 South Seventh Street, Suite 4400, Minneapolis, MN 55402-4115; (612) 376-7044 (local); 800-525-6584 (MKTG).

LETTER FROM THE PRESIDENT

[PHOTO]
JOHN G. TAFT
PRESIDENT

Dear Shareholder:

With the stock market continuing to push forward toward new highs, some investors find it easy to forget the importance of maintaining a portion of their assets in bonds. Study after study shows that investors who diversify their portfolio assets between stocks and bonds can significantly reduce the impact of stock market downturns. And, although we cannot predict when the stock market will experience a correction, we believe the stock market cannot continue to go up indefinitely without some type of adjustment.

What's important to remember is that the current 3 percent real rate of return (total return adjusted for inflation) on 10-year U.S. Treasuries is historically compelling -- especially when one considers the amount of risk stock investors have to take to reap their returns. The Voyageur U.S. Government Securities Fund continues to be, in our opinion, an ideal fund for investors looking for a conservative, "plain vanilla" approach of investing. The Fund is invested entirely in Government National Mortgage (GNMA) and U.S. Treasury securities -- securities that are backed by the full faith and credit of the U.S. government -- and has historically provided consistent, competitive investment results.

You may remember receiving an annual report just a few months ago and will notice that this shareholder report only covers the past four months of performance for the Fund. The reason is because we have changed the fiscal year for the Voyageur U.S. Government Securities Fund to end on October 31 rather than June 30. This change should have no effect on the performance of the Fund. Rather, we are adjusting the Fund's fiscal year to facilitate reporting requirements so it coincides with many of our other funds.

If at any time you have questions about your Voyageur fund investment, please contact your personal financial advisor or Voyageur Client Services at 800.543.3863. This 800 number -- known as Voyageur On Call™ -- allows you 24-hour access, seven days a week to an automated voice response service with Voyageur Client Services representatives available from 7 a.m. to 6 p.m. Central Standard Time.

We appreciate your continued patronage of Voyageur Investments and look forward to working with you and your financial advisor in offering products and services designed to bring you closer to your investment goals.

Sincerely,

/s/John G. Taft
John G. Taft

VOYAGEUR U.S. GOVERNMENT SECURITIES FUND

JANE M. WYATT IS THE SENIOR PORTFOLIO MANAGER FOR THE VOYAGEUR U.S. GOVERNMENT SECURITIES FUND AS WELL AS VOYAGEUR'S CHIEF INVESTMENT OFFICER. JANE HAS 20 YEARS OF EXPERIENCE IN THE INVESTMENT INDUSTRY.

*THE LEHMAN BROTHERS GOVERNMENT INDEX INCLUDES FIXED RATE DEBT ISSUES RATED INVESTMENT GRADE OR HIGHER BY MOODY'S, S&P, OR FITCH, IN THAT ORDER. ALL ISSUES HAVE AT LEAST ONE YEAR TO MATURITY AND AN OUTSTANDING PAR VALUE OF AT LEAST \$100 MILLION FOR U.S. GOVERNMENT ISSUES. ALL RETURNS ARE MARKET VALUE WEIGHTED INCLUSIVE OF ACCRUED INTEREST. THE GOVERNMENT BOND INDEX INCLUDES ISSUES OF THE U.S. GOVERNMENT OR ANY AGENCY THEREOF. THE NONCOVERIBLE, PUBLICLY ISSUED, DOMESTIC DEBT IS GUARANTEED BY THE U.S. GOVERNMENT. TOTAL RETURN INCLUDES PRICE APPRECIATION/DEPRECIATION AND INCOME AS A PERCENTAGE OF THE ORIGINAL INVESTMENT. THE TOTAL RETURN INDEX IS REBALANCED MONTHLY BY MARKET CAPITALIZATION.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE OF THE PORTFOLIO AND SHARES OF THE FUNDS WILL FLUCTUATE.

For the four months ended October 31, 1996, the Voyageur U.S. Government Securities Fund's total return at NAV for Class A shares was 4.18 percent. During this same four month period, the Fund outperformed its benchmark, the Lehman Brothers Government Index, which returned 3.93 percent.*

TAKING ADVANTAGE OF MARKET OPPORTUNITIES

The primary reason for our stronger-than-average performance during the reporting period was due to the Fund's emphasis on mortgage-backed securities, one of the best performing fixed income sectors through October. We began increasing the Fund's asset weighting in mortgage-backed securities in the first quarter of 1996, and on October 31, the Fund had approximately 50 percent of its net assets in mortgage-backed securities.

During 1996, the Voyageur U.S. Government Securities Fund also benefited from its holdings in lower-coupon mortgages. At the end of 1995, the market was pricing these securities as if the U.S. mortgage market was headed for a refinance boom similar to the one in 1993. We felt this was highly unlikely for two main reasons -- 1) 1995 interest rates were significantly higher than in 1993 and 2) the lack of evidence indicating that the Federal Reserve would lower rates anywhere near 1993 levels. Instead, we maintained and, in fact, ended up increasing our mortgage allocation at a time that proved beneficial to the shareholders of the Voyageur U.S. Government Securities Fund.

As mentioned in our June 30 annual report, we also took advantage of an opportunity to add value to the Fund by selling almost all of its two-year seasoned 30-year GNMA mortgages at a premium. This allowed us to capitalize on the excess return and reinvest in higher yielding securities, thereby improving the Fund's income.

MARKET VOLATILITY

For the first three quarters of 1996, the fixed income market was quite volatile with interest rates on the long bond (30-year Treasury) moving from 5.95 percent in January and peaking at 7.25 percent in the third quarter. Despite market volatility, we maintained the Fund's duration longer than five years since we believed a duration in the intermediate part of the yield curve offered the best risk-adjusted returns for long-term conservative investors.

In anticipation of continued volatility in the market and due to the appreciation in mortgage-backed securities, we have started decreasing our mortgage-backed securities allocation to approximately 50 percent of the Fund's total assets. We believe it is important to remember that volatility is not always bad. In fact, it often creates opportunities that could add value to the Fund.

GOING FORWARD

The current interest rate environment is providing investors with historically generous real rates of return. Given our belief that the Federal Reserve Board

will maintain a vigilant anti-inflation policy, we think today's levels represent good value. We will continue to actively manage the Fund by monitoring current market activities and expectations in order to find opportunities where we can add value for the shareholders of the Voyageur U.S. Government Securities Fund.

VOYAGEUR U.S. GOVERNMENT SECURITIES FUND - CLASS A SHARES

[U.S. Government Securities Datapoints for chart]

	1	2	3
Nov-87	9525	10000	10000
	9586	10064	10169
	9692	10175	10049
	9922	10416	10502
	9988	10486	10614
	9934	10430	10505
	9940	10435	10449
	9843	10333	10375
Jun-88	10073	10576	10604
	10069	10571	10532
	10086	10589	10553
	10276	10788	10783
	10429	10950	10973
	10325	10840	10844
	10305	10819	10885
	10468	10990	11023
	10425	10945	10933
	10469	10991	10999
	10624	11154	11235
	10868	11410	11500
Jun-89	11086	11638	11884
	11227	11787	12135
	11097	11650	11931
	11216	11775	11982
	11391	11959	12293
	11525	12100	12412
	11599	12177	12433
	11506	12080	12258
	11571	12148	12282
	11592	12170	12280
	11499	12073	12172
	11772	12359	12511
Jun-90	11961	12557	12709
	12160	12766	12871
	12086	12689	12693
	12168	12775	12814
	12312	12926	13023
	12632	13262	13312
	12844	13485	13519
	13007	13656	13663
	13047	13698	13741
	13174	13830	13811
	13298	13961	13963
	13360	14027	14018
Jun-91	13353	14019	13998
	13553	14229	14165
	13874	14566	14493
	14213	14922	14798
	14371	15088	14928
	14515	15239	15077
	15132	15886	15591
	14745	15480	15348
	14822	15561	15408
	14686	15418	15319
	14766	15502	15415
	15078	15830	15697
Jun-92	15320	16084	15922
	15785	16572	16323
	15919	16712	16475
	16172	16979	16707
	15893	16685	16466
	15832	16622	16438
	16127	16932	16715
	16493	17315	17071
	16859	17699	17412
	16932	17776	17469
	17052	17903	17604
	17064	17915	17585

Jun-93	17504	18377	17975
	17583	18460	18085
	17981	18878	18488
	18060	18961	18558
	18107	19010	18629
	17843	18733	18424
	17946	18841	18496
	18222	19131	18749
	17745	18629	18352
	17107	17960	17939
	16951	17797	17797
	16978	17824	17774
Jun-94	16812	17650	17733
	17147	18002	18059
	17171	18027	18063
	16847	17687	17808
	16783	17620	17796
	16717	17551	17764
	16948	17794	17872
	17277	18138	18204
	17785	18672	18596
	17878	18770	18713
	18154	19059	18958
	18942	19887	19722
Jun-95	19073	20024	19874
	18986	19933	19800
	19230	20189	20032
	19438	20407	20224
	19701	20683	20532
	20003	21001	20852
	20325	21339	21148
	20460	21480	21277
	19981	20977	20843
	19749	20734	20670
	19612	20590	20538
	19536	20510	20503
Jun-96	19814	20802	20767
	19877	20868	20819
	19821	20809	21165
	20180	21187	21118
Oct-96	20641	21670	21583

- 1 Voyageur U.S. Government Securities Fund with sales charge - Ending value \$20,641
- 2 Voyageur U.S. Government Securities Fund without sales charge - Ending value \$21,670
- 3 Lehman Brothers Government Index - Ending value \$21,583

VOYAGEUR U.S. GOVT. SECURITIES FUND - AVERAGE ANNUAL TOTAL RETURNS

<TABLE>

<CAPTION>

	Institutional Shares		Class A Shares		
	1 year	Since 6/7/94*	1 year	5years	Since 11/2/87*
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Without sales charge	4.77%	7.74%	4.77%	7.51%	8.97%
With sales charge	n/a	n/a	(0.20%)**	6.47%**	8.38%**
Lehman Brothers Government Index	5.12%	8.46%	5.12%	7.84%	8.92%

</TABLE>

<TABLE>

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	Class B Shares		Class C Shares	
	1 year	Since 6/7/94*	1 year	Since 1/10/95*
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Without contingent deferred sales charge	4.12%	7.11%	3.99%	10.99%

With contingent deferred sales charge***	(0.12%)	5.96%	2.99%	10.99%
Lehman Brothers Government Index	5.12%	8.46%	5.12%	10.83%

The performance of separate classes will vary based on the differences in sales loads and distribution fees paid by shareholders investing in the different classes. Performance quoted represents past performance and is not indicative of future results.

- * Commencement of operations.
- ** Total return includes the maximum 4.75% sales charge.
- *** Total return assumes redemption on October 31, 1996.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Voyageur Funds, Inc.:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments in securities, of Voyageur U.S. Government Securities Fund, a portfolio within Voyageur Funds, Inc., as of October 31, 1996 and the related statements of operations for the four-months ended October 31, 1996 and the year ended June 30, 1996, the statements of changes in net assets for the four-months ended October 31, 1996 and each of the years in the two-year period ended June 30, 1996 and the financial highlights for the four-months ended October 31, 1996 and each of the years in the five-year period ended June 30, 1996. These financial statements and the financial highlights are the responsibility of Fund management. Our responsibility is to express an opinion on these financial statements and the financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Investment securities held in custody are confirmed to us by the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and the financial highlights referred to above present fairly, in all material respects, the financial position of Voyageur U.S. Government Securities Fund at October 31, 1996 and the results of its operations for the four-months ended October 31, 1996 and the year ended June 30, 1996, the changes in its net assets for the four-months ended October 31, 1996 and each of the years in the two-year period ended June 30, 1996, and the financial highlights for the periods stated in the first paragraph above, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Minneapolis, Minnesota
December 6, 1996

<TABLE>
<CAPTION>

VOYAGEUR U.S. GOVERNMENT SECURITIES FUND

STATEMENT OF ASSETS AND LIABILITIES OCTOBER 31, 1996

STATEMENT OF ASSETS AND LIABILITIES		OCTOBER 31, 1996

ASSETS		
<S>		
Investments in securities, at market value (note 1)		<C>
(identified cost: \$114,624,732)		\$ 116,880,303
Accrued interest receivable		1,452,539
Receivable for Fund shares sold		344,809
Receivable for investment securities sold		6,688,685

Total assets	125,366,336
<hr/>	
LIABILITIES	
Bank overdraft	13,361
Dividends payable to shareholders	130,875
Payable for Fund shares redeemed	238,730
Payable for investment securities purchased	6,978,847
Other accrued expenses	48,314
<hr/>	
Total liabilities	7,410,127
<hr/>	
NET ASSETS APPLICABLE TO OUTSTANDING CAPITAL STOCK	\$ 117,956,209
<hr/>	
Represented by:	
Capital stock - authorized 10,000,000,000 shares of \$.01 par value .	\$ 113,746
Additional paid-in capital	121,912,001
Undistributed net investment income	217,429
Accumulated net realized loss from investments	(6,542,538)
Unrealized appreciation of investments	2,255,571
<hr/>	
TOTAL NET ASSETS	\$ 117,956,209
<hr/>	
Net assets applicable to outstanding Class A Shares	\$ 65,516,499
<hr/>	
Net assets applicable to outstanding Class B Shares	\$ 2,139,228
<hr/>	
Net assets applicable to outstanding Class C Shares	\$ 234,450
<hr/>	
Net assets applicable to outstanding Institutional Class Shares	\$ 50,066,032
<hr/>	
SHARES OUTSTANDING AND NET ASSET VALUE PER SHARE	
Class A Shares (6,319,211 shares outstanding) (note 4)	\$ 10.37
<hr/>	
Class B Shares (206,126 shares outstanding) (note 4)	\$ 10.38
<hr/>	
Class C Shares (22,631 shares outstanding) (note 4)	\$ 10.36
<hr/>	
Institutional Class Shares (4,826,688 shares outstanding) (note 4) .	\$ 10.37
<hr/>	

See accompanying notes to financial statements.
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VOYAGEUR U.S. GOVERNMENT SECURITIES FUND

STATEMENTS OF OPERATIONS

	FOUR MONTHS ENDED OCTOBER 31, 1996 (NOTE 1)	YEAR ENDED JUNE 30, 1996
	-----	-----
<S>	<C>	<C>
Investment income:		
Interest	\$ 2,633,012	\$ 8,556,433
	-----	-----
Expenses (note 3):		
Investment advisory and management fee	187,687	609,965
Dividend disbursing, administrative and accounting services fees ...	44,565	166,715
Distribution fees (Class A)	56,426	182,881
Distribution fees (Class B)	6,592	9,201
Distribution fees (Class C)	759	2,690
Distribution fees (Institutional Class)	35,580	119,138
Printing, postage and supplies	4,667	17,829
Audit fees	15,792	17,632
Legal fees	959	7,941
Custodian fees	3,895	18,700
Directors' fees	3,792	6,659
Registration fees	12,915	21,476

Other	894	13,085
Total expenses	374,523	1,193,912
Less: Expenses waived or absorbed by the distributor	--	(1,606)
Net expenses before earnings credits on uninvested cash balances ...	374,523	1,192,306
Less: Earnings credits on uninvested cash balances	(894)	(10,549)
Total net expenses	373,629	1,181,757
Investment income - net	2,259,383	7,374,676
Realized and unrealized gain (loss) on investments (note 2):		
Realized gain on security transactions	936,151	2,285,055
Net change in unrealized appreciation or depreciation of investments	1,370,635	(4,503,029)
Net gain (loss) on investments	2,306,786	(2,217,974)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 4,566,169	\$ 5,156,702

See accompanying notes to financial statements.
</TABLE>

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VOYAGEUR U.S. GOVERNMENT SECURITIES FUND

STATEMENTS OF CHANGES IN NET ASSETS

	FOUR MONTHS ENDED OCTOBER 31, 1996 (NOTE 1)	YEAR ENDED JUNE 30, 1996	YEAR ENDED JUNE 30, 1995
<S>	<C>	<C>	<C>
Operations:			
Investment income - net	\$ 2,259,383	\$ 7,374,676	\$ 8,267,737
Net realized gain (loss) on investments	936,151	2,285,055	(9,763,744)
Net change in unrealized appreciation or depreciation of investments	1,370,635	(4,503,029)	18,185,818
Net increase in net assets resulting from operations	4,566,169	5,156,702	16,689,811
Distributions to shareholders from:			
Investment income - net:			
Class A	(1,364,201)	(4,281,883)	(4,919,889)
Class B	(34,848)	(48,064)	(2,497)
Class C	(4,027)	(13,726)	(1,136)
Institutional Class	(858,567)	(2,789,781)	(3,344,215)
Distributions in excess of net investment income:			
Class A	--	--	(12,813)
Class B	--	--	(7)
Class C	--	--	(3)
Institutional Class	--	--	(8,710)
Net realized gain on investments:			
Class A	--	--	(160,578)
Class B	--	--	(36)
Institutional Class	--	--	(100,354)
Total distributions	(2,261,643)	(7,133,454)	(8,550,238)
Share transactions: (note 4)			
Proceeds from sale of shares:			
Class A (note 3)	861,117	7,330,164	9,513,749
Class B	404,912	1,769,115	130,370
Class C	4,598	91,380	218,517
Institutional Class	10,243,939	15,417,147	17,648,013
Net asset value of shares issued in reinvestment of net investment income and net realized gain distributions:			
Class A	942,767	2,859,623	3,394,023
Class B	11,998	16,287	952
Class C	1,898	5,275	564
Institutional Class	595,190	1,796,765	1,908,755
Payments for redemption of shares:			
Class A	(6,075,050)	(16,187,295)	(26,146,449)
Class B (note 3)	(100,618)	(105,794)	(22,398)

Class C (note 3)	(600)	(85,799)	(10)
Institutional Class	(3,372,008)	(29,486,507)	(18,678,004)
	-----	-----	-----
Increase (decrease) in net assets from share transactions	3,518,143	(16,579,639)	(12,031,918)
	-----	-----	-----
Total increase (decrease) in net assets	5,822,669	(18,556,391)	(3,892,345)
Net assets at beginning of year	112,133,540	130,689,931	134,582,276
	-----	-----	-----
Net assets at end of year (including undistributed (distributions in excess of) net investment income of \$217,429, \$219,689 and \$ (21,533), respectively)	\$ 117,956,209	\$ 112,133,540	\$ 130,689,931
	=====	=====	=====

See accompanying notes to financial statements.

</TABLE>

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Voyageur U. S. Government Securities Fund (the Fund) is a portfolio within Voyageur Funds, Inc. which is registered under the Investment Company Act of 1940 (as amended) as a diversified, open-end management investment company. The Fund seeks high current income from investments issued, guaranteed or otherwise backed by the full faith and credit of the U.S. Government. The Fund offers Class A, Class B, Class C and Institutional Class Shares. Class A Shares are sold with a front-end sales charge. Class B Shares are sold subject to a contingent deferred sales charge and such shares automatically convert to Class A after eight years. Class C Shares are sold subject to a contingent deferred sales charge and have no conversion feature. Institutional Class Shares are sold without a front-end sales charge and are not subject to a contingent deferred sales charge. All classes of shares have identical voting, dividend, liquidation and other rights and the same terms and conditions, except that the level of distribution fees charged differs between classes. Income, expenses (other than expenses incurred under each class' Distribution Agreement) and realized and unrealized gains or losses on investments are allocated to each class of shares based upon its relative net assets.

Effective October 31, 1996, the Fund changed its fiscal year-end from June 30 to October 31.

The significant accounting policies followed by the Fund are summarized as follows:

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net increase (decrease) in net assets resulting from operations during the reporting period. Actual results could differ from those estimates.

INVESTMENTS IN SECURITIES

The values of fixed income securities are determined using pricing services or prices quoted by independent brokers. When market quotations are not readily available, or in certain other circumstances, securities are valued at fair value according to methods selected in good faith by the Board of Directors. Short-term securities are valued at amortized cost which approximates market value.

Security transactions are accounted for on the trade date. Securities gains and losses are calculated on the identified-cost basis. Interest income, including level- yield amortization of premium and discount, is accrued daily.

FEDERAL INCOME TAXES

The Fund's policy is to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute income to shareholders in amounts that will avoid or minimize federal income or excise taxes for the Fund. Net investment income and net realized gains (losses) for the Fund may differ for financial statement and tax purposes primarily because of losses deferred for tax purposes due to "wash sale" transactions. The character of distributions made during the year from net investment income or net realized gains may differ from their ultimate characterization for federal income tax purposes. Also, due to the timing of dividend distributions, the fiscal year in which amounts are distributed may differ from the year that the income or realized gains (losses) were recorded by the Fund.

For federal income tax purposes, at October 31, 1996, the Fund had a capital

loss carryover of \$6,455,498 that will expire in the years 2002 through 2003 if not offset by subsequent capital gains. It is unlikely that the Board of Directors will authorize a distribution of any net realized capital gains until the available capital loss carryover has been offset or expires.

DISTRIBUTIONS TO SHAREHOLDERS

Dividends declared daily from net investment income are payable monthly in cash or may be reinvested in additional shares of the Fund at net asset value. Net realized short-term capital gains, when available, may be distributed throughout the year. Net realized long-term capital gains, when available, are distributed annually.

REPURCHASE AGREEMENTS

Securities pledged as collateral for repurchase agreements are held by the Fund's custodian bank until maturity of the repurchase agreement. Procedures for all agreements ensure that the daily market value of the collateral is in excess of the repurchase agreement in the event of default.

(2) INVESTMENT SECURITIES TRANSACTIONS

Purchase cost and proceeds of sales of investment securities, other than short-term securities, aggregated \$76,927,342 and \$73,747,390, respectively, for the four months ended October 31, 1996.

(3) EXPENSES

The Fund has an investment advisory agreement with Voyageur Fund Managers, Inc. (Voyageur), under which Voyageur manages the Fund's assets and furnishes related office facilities, equipment, research and personnel. The Fund pays a monthly fee to Voyageur equal to an annual rate of .50% of the Fund's average daily net assets.

The Fund also has Distribution Agreements under Rule 12b-1 of the Investment Company Act of 1940 with Voyageur Fund Distributors, Inc. (Fund Distributors). The Fund is obligated to pay Fund Distributors a monthly distribution fee at an annual rate of .25% of the average daily net assets of the Class A and Institutional Class Shares and 1.00% of the average daily net assets of the Class B and Class C Shares. Fund Distributors may waive all or part of its distribution fee at its sole discretion.

The Fund will also pay a fee to Voyageur for acting as the Fund's dividend disbursing, administrative and accounting services agent. The fee is paid monthly and is equal to the sum of \$1.33 per shareholder account per month, a fixed monthly fee ranging from \$1,000 to \$1,500 based on the level of the Fund's average daily net assets and an annualized percentage of average daily net assets at reducing rates from .11% to .02%. The Fund is also responsible for reimbursing Voyageur's out-of-pocket expenses in connection with the performance of dividend disbursing, administrative and accounting services.

In addition to the fees above, the Fund is responsible for paying most other operating expenses including directors' fees, registration fees, printing of shareholder reports, legal and auditing services, and other miscellaneous expenses. Under the investment advisory agreement, Voyageur is obligated to pay all expenses and fees (excluding distribution fees, interest, taxes and brokerage commission) which exceed 1.00% of the Fund's average daily net assets, on an annual basis. During the four months ended October 31, 1996 the Fund earned \$894 in credits on uninvested cash balances held by the Fund at the custodian which were used to reduce fees for custodial services provided by the custodian bank.

Sales charges paid by Class A shareholders were \$10,639 during the four months ended October 31, 1996. Of this amount, Fund Distributors received \$1,628. Contingent deferred sales charges paid by Class B and Class C shareholders were \$1,460 and \$4 during the four months ended October 31, 1996, respectively.

(4) SHARE TRANSACTIONS

Transactions in shares for the periods ended October 31, 1996, June 30, 1996 and June 30, 1995 were as follows:

<TABLE>
<CAPTION>

CLASS A			CLASS B		
FOUR MONTHS ENDED	YEAR ENDED	YEAR ENDED	FOUR MONTHS ENDED	YEAR ENDED	YEAR ENDED
OCTOBER 31, 1996	JUNE 30, 1996	JUNE 30, 1995	OCTOBER 31, 1996	JUNE 30, 1996	JUNE 30, 1995
----	----	----	----	----	----

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Shares sold.....	84,718	701,265	987,529	39,770	170,138	13,081
Shares issued for						
reinvested distributions.....	92,642	275,527	347,009	1,177	1,571	95
Shares redeemed.....	(595,352)	(1,556,383)	(2,693,318)	(9,851)	(10,038)	(2,323)
Increase (decrease) in shares						
outstanding.....	(417,992)	(579,591)	(1,358,780)	31,096	161,671	10,853

</TABLE>

<TABLE>
<CAPTION>

	CLASS C			INSTITUTIONAL CLASS		
	FOUR MONTHS ENDED OCTOBER 31, 1996	YEAR ENDED JUNE 30, 1996	PERIOD FROM JANUARY 10, 1995* TO JUNE 30, 1995	FOUR MONTHS ENDED OCTOBER 31, 1996	YEAR ENDED JUNE 30, 1996	YEAR ENDED JUNE 30, 1995
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Shares sold.....	449	8,796	21,237	997,379	1,475,063	1,832,690
Shares issued for						
reinvested distributions.....	187	506	56	58,441	173,176	194,552
Shares redeemed.....	(59)	(8,540)	(1)	(330,989)	(2,794,116)	(1,895,210)
Increase (decrease) in shares						
outstanding.....	577	762	21,292	724,831	(1,145,877)	132,032

</TABLE>

* Commencement of operations.

(5) FINANCIAL HIGHLIGHTS

Per share data (rounded to the nearest cent) for a share of capital stock outstanding and selected information for each period are as follows:

<TABLE>
<CAPTION>

	CLASS A					
	FOUR MONTHS ENDED OCTOBER 31, 1996	YEAR ENDED JUNE 30,				
	1996	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value:						
Beginning of period.....	\$10.16	\$10.37	\$9.76	\$10.99	\$10.46	\$ 9.99
Operations:						
Net investment income.....	.21	.63	.62	.55	.61	.67
Net realized and unrealized gain (loss) on investments.....	.21	(.23)	.63	(.94)	.83	.76
Total from operations.....	.42	.40	1.25	(.39)	1.44	1.43
Distributions to shareholders:						
From net investment income.....	(.21)	(.61)	(.62)	(.55)	(.61)	(.67)
From net realized gains.....	--	--	(.02)	(.29)	(.30)	(.29)
Total distributions.....	(.21)	(.61)	(.64)	(.84)	(.91)	(.96)
Net asset value:						
End of period.....	\$10.37	\$10.16	\$10.37	\$ 9.76	\$10.99	\$10.46
Total investment return (d).....	4.18%	3.88%	13.45%	(3.95)%	14.25%	14.68%
Net assets at end of period (000's omitted).....	\$65,516	\$68,442	\$75,886	\$84,660	\$112,604	\$53,332
Ratios:						
Ratio of expenses to average daily net assets (f).....	.98%(e)	.97%	.95%	.96%	1.10%	1.00%

Ratio of net investment income to average daily net assets.....	6.03%(e)	6.07%	6.38%	5.10%	5.61%	6.60%
Assuming no voluntary waivers and reimbursements:						
Expenses (b).....	.98%(e)	.97%	.95%	.96%	1.14%	1.25%
Net investment income.....	6.03%(e)	6.07%	6.38%	5.10%	5.57%	6.35%
Portfolio turnover rate (excluding short-term securities).....	66.29%	145.35%	144.39%	124.38%	175.02%	198.54%

See accompanying notes to Financial Highlights.

</TABLE>

<TABLE>

<CAPTION>

	CLASS B			
	FOUR MONTHS ENDED OCTOBER 31, 1996	YEAR ENDED JUNE 30, 1996	YEAR ENDED JUNE 30, 1995	PERIOD FROM JUNE 7, 1994 (c) TO JUNE 30, 1994
<S>	<C>	<C>	<C>	<C>
Net asset value:				
Beginning of period.....	\$10.17	\$10.38	\$9.75	\$10.05
Operations:				
Net investment income.....	.18	.57	.56	.01
Net realized and unrealized gain (loss) on investments.....	.21	(.23)	.65	(.28)
Total from operations.....	.39	.34	1.21	(.27)
Distributions to shareholders:				
From net investment income.....	(.18)	(.55)	(.56)	(.01)
From net realized gains.....	--	--	(.02)	(.02)
Total distributions.....	(.18)	(.55)	(.58)	(.03)
Net asset value:				
End of period.....	\$10.38	\$10.17	\$10.38	\$9.75
Total investment return (d).....	3.91%	3.32%	12.90%	(2.68)%
Net assets at end of period (000's omitted).....	\$2,139	\$1,780	\$139	\$24
Ratios:				
Ratio of expenses to average daily net assets (f).....	1.73%(e)	1.46%	1.54%	.30%(a)
Ratio of net investment income to average daily net assets.....	5.24%(e)	5.55%	5.56%	.11%(a)
Assuming no voluntary waivers and reimbursements:				
Expenses (b).....	1.73%(e)	1.63%	1.69%	.30%(a)
Net investment income.....	5.24%(e)	5.38%	5.41%	.11%(a)
Portfolio turnover rate (excluding short-term securities).....	66.29%	145.35%	144.39%	124.38%

See accompanying notes to Financial Highlights.

</TABLE>

<TABLE>

<CAPTION>

	CLASS C		
	FOUR MONTHS ENDED OCTOBER 31, 1996	YEAR ENDED JUNE 30, 1996	PERIOD FROM JANUARY 10, 1995 (c) TO JUNE 30, 1995
<S>	<C>	<C>	<C>
Net asset value:			
Beginning of period.....	\$10.15	\$10.36	\$9.48

Operations:			
Net investment income.....	.18	.55	.27
Net realized and unrealized gain (loss) on investments.....	.21	(.23)	.88
	-----	-----	-----
Total from operations.....	.39	.32	1.15
	-----	-----	-----
Distributions to shareholders:			
From net investment income.....	(.18)	(.53)	(.27)
From net realized gains.....	--	--	--
	-----	-----	-----
Total distributions.....	(.18)	(.53)	(.27)
	-----	-----	-----
Net asset value:			
End of period.....	\$10.36	\$10.15	\$10.36
	=====	=====	=====
Total investment return (d).....	3.92%	3.11%	12.73%
Net assets at end of period (000's omitted).....	\$234	\$224	\$221
Ratios:			
Ratio of expenses to average daily net assets (f).....	1.73%(e)	1.70%	1.62%(e)
Ratio of net investment income to average daily net assets.....	5.26%(e)	5.33%	5.10%(e)
Assuming no voluntary waivers and reimbursements:			
Expenses (b).....	1.73%(e)	1.70%	1.65%(e)
Net investment income.....	5.26%(e)	5.33%	5.07%(e)
Portfolio turnover rate (excluding short-term securities).....	66.29%	145.35%	144.39%

See accompanying notes to Financial Highlights.
</TABLE>

<TABLE>
<CAPTION>

	INSTITUTIONAL CLASS			
	FOUR MONTHS ENDED OCTOBER 31, 1996	YEAR ENDED JUNE 30, 1996	YEAR ENDED JUNE 30, 1995	PERIOD FROM JUNE 7, 1994 (c) TO JUNE 30, 1994
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net asset value:				
Beginning of period.....	\$10.16	\$10.37	\$9.75	\$10.05
	-----	-----	-----	-----
Operations:				
Net investment income.....	.21	.63	.62	.01
Net realized and unrealized gain (loss) on investments.....	.21	(.23)	.64	(.28)
	-----	-----	-----	-----
Total from operations.....	.42	.40	1.26	(.27)
	-----	-----	-----	-----
Distributions to shareholders:				
From net investment income.....	(.21)	(.61)	(.62)	(.01)
From net realized gains.....	--	--	(.02)	(.02)
	-----	-----	-----	-----
Total distributions.....	(.21)	(.61)	(.64)	(.03)
	-----	-----	-----	-----
Net asset value:				
End of period.....	\$10.37	\$10.16	\$10.37	\$9.75
	=====	=====	=====	=====
Total investment return (d).....	4.17%	3.88%	13.57%	(2.64)%
Net assets at end of period (000's omitted).....	50,066	\$41,688	\$54,445	\$49,898
Ratios:				
Ratio of expenses to average daily net assets (f).....	.99%(e)	.97%	.94%	.25%(a)
Ratio of net investment income				

to average daily net assets.....	6.00%(e)	6.07%	6.39%	.16% (a)
Assuming no voluntary waivers and reimbursements:				
Expenses (b).....	.99%(e)	.97%	.94%	.25% (a)
Net investment income.....	6.00%(e)	6.07%	6.39%	.16% (a)
Portfolio turnover rate (excluding short-term securities).....	66.29%	145.35%	144.39%	124.38%

See accompanying notes to Financial Highlights.
</TABLE>

NOTES TO FINANCIAL HIGHLIGHTS

- (a) Ratios presented for the period from June 7, 1994 to June 30, 1994 are not annualized as they are not indicative of anticipated annual results.
- (b) Voyageur and Fund Distributors voluntarily waived or reimbursed a portion of expenses during several periods presented. The annual contractual expense limit for the Fund (excluding distribution fees) is 1% of average daily net assets. The maximum distribution fee is .25% of the Fund's average daily net assets for Class A and Institutional Class Shares and 1.00% of the Fund's average daily net assets for Class B and Class C Shares.
- (c) Commencement of operations.
- (d) Total investment return is based on the change in net asset value of a share during the period and assumes reinvestment of distributions at net asset value and does not reflect the impact of a sales charge.
- (e) Annualized.
- (f) Beginning in the year ended June 30, 1996, the expense ratio reflects the effect of gross expense attributable to earnings credits on uninvested cash balances received by the Fund. Prior period expense ratios have not been adjusted.

<TABLE>
<CAPTION>

VOYAGEUR U.S. GOVERNMENT SECURITIES FUND
INVESTMENTS IN SECURITIES

OCTOBER 31, 1996

NAME OF ISSUER	PRINCIPAL AMOUNT	MARKET VALUE (a)
----------------	------------------	------------------

(Percentage of each investment category relates to total net assets)

BONDS (99.1%):

U.S. GOVERNMENT AGENCY OBLIGATIONS (49.8%):

<S>	<C>	<C>	<C>
Government National Mortgage Association			
Mortgage-Backed Pass-Thru Certificates			
10.00% due 12/20/02	\$	74,153	\$ 78,143
10.00% due 03/15/16		80,592	88,608
8.00% due 01/15/17		50,538	52,454
7.00% due 09/15/25		1,884,125	1,850,041
7.00% due 01/15/26		2,849,114	2,795,779
7.00% due 01/15/26		2,929,365	2,874,528
7.00% due 01/15/26		4,146,020	4,068,406
7.00% due 01/15/26		2,984,723	2,930,730
7.00% due 01/15/26		2,920,482	2,865,810
7.50% due 01/15/26		1,889,740	1,897,148
6.50% due 01/15/26		996,030	952,663
7.00% due 02/15/26		3,646,311	3,578,052
7.00% due 02/15/26		4,840,257	4,749,648
7.50% due 02/15/26		1,657,362	1,663,859
6.50% due 03/15/26		1,265,085	1,210,003
6.50% due 03/15/26		937,669	896,843
7.00% due 03/15/26		1,289,695	1,265,552
6.50% due 04/15/26		1,556,771	1,490,453
7.00% due 04/15/26		2,936,957	2,881,977
6.50% due 04/15/26		2,012,668	1,925,036
7.00% due 06/15/26		2,977,695	2,921,953
6.50% due 06/15/26		2,967,068	2,837,881
7.00% due 07/15/26		8,428,682	8,270,897

7.00%	due 07/15/26	2,984,231	2,928,366
7.50%	due 08/15/26	1,683,160	1,689,758

			58,764,588

See accompanying notes to investments in securities.
</TABLE>

<TABLE>
<CAPTION>

VOYAGEUR U.S. GOVERNMENT SECURITIES FUND
INVESTMENTS IN SECURITIES (CONTINUED) OCTOBER 31, 1996

NAME OF ISSUER	PRINCIPAL AMOUNT	MARKET VALUE (a)

U.S. TREASURY ISSUES (49.3%):		

U.S. Treasury Notes		
<S>	<C>	<C>
6.13%	due 03/31/98	\$ 3,200,000
6.00%	due 05/31/98	1,000,000
5.50%	due 11/15/98	6,250,000
8.00%	due 08/15/99	500,000
6.75%	due 04/30/00	3,050,000
8.88%	due 05/15/00	1,000,000
5.75%	due 10/31/00	10,000,000
5.63%	due 11/30/00	6,000,000
6.25%	due 10/31/01	2,000,000
7.50%	due 05/15/02	1,150,000
6.38%	due 08/15/02	2,000,000
5.75%	due 08/15/03	2,100,000
7.25%	due 08/15/04	6,000,000
10.00%	due 05/15/10	10,500,000
U.S. Treasury Strips		
6.83%	due 02/15/12(c)	1,500,000
		538,050

		58,115,715

TOTAL INVESTMENTS IN SECURITIES (cost: \$114,624,732) (b)		\$116,880,303
		=====

</TABLE>

NOTES TO INVESTMENTS IN SECURITIES

- (a) Securities are valued by procedures described in note 1 to the financial statements.
- (b) The cost of securities for federal income tax purposes was \$114,711,772 and the aggregate gross unrealized appreciation and depreciation based on this cost was:

Gross unrealized appreciation.....	\$2,380,765
Gross unrealized depreciation.....	(212,234)

Net unrealized appreciation.....	\$2,168,531
	=====

- (c) Zero coupon security. Interest rate disclosed is the effective yield as of the date of acquisition.

VOYAGEUR ON CALL(TM)

[LOGO] 800.545.3863

We invite you to use the Voyageur interactive voice response system, Voyageur On Call(TM) (800.545.3863). The system is designed to give you information about

the Fund(s) in your account. It can also provide price and yield information for the Fund(s). 24-hour access available to Touch Tone telephones only.

VOYAGEUR INVESTMENTS

YOUR TAX SENSITIVE INVESTMENT MANAGER

90 South Seventh Street, Suite 4400
Minneapolis, Minnesota 55402-4115