

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

COLONIAL MUNICIPAL INCOME TRUST  
Form N-CSR  
February 07, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

Investment Company Act file number 811-4992  
-----

Colonial Municipal Income Trust  
-----

(Exact name of registrant as specified in charter)

One Financial Center, Boston, Massachusetts 02111  
-----

(Address of principal executive offices) (Zip code)

James R. Bordewick, Jr., Esq.  
Columbia Management Advisors, LLC  
One Financial Center  
Boston, MA 02111  
-----

(Name and address of agent for service)

Registrant's telephone number, including area code: 1-617-426-3750  
-----

Date of fiscal year end: November 30, 2006  
-----

Date of reporting period: November 30, 2006  
-----

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. (S) 3507.

Item 1. Reports to Stockholders.



## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

about the overall resilience of the economy despite its slower pace of growth.

The views expressed in the Economic Update and Portfolio Manager's report reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for the trust are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any fund. References to specific company securities should not be construed as a recommendation or investment advice.

### Portfolio Manager's Report - Colonial Municipal Income Trust

#### Price per share

as of 11/30/06 (\$)

Market price 5.96

Net asset value 5.98

1-year total return

as of 11/30/06 (%)\*

Market price 17.99

Net asset value 10.15

Lipper High Yield

Municipal Debt Funds

Classification average 10.80

Performance is historical, assumes reinvestment of all dividends and capital gains, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when sold, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please call 800-730-6001 for the trust's most recent performance. Total return based on net asset value reflects changes in the trust's net asset value during each period. Total return based on market value reflects changes in market value. These figures will differ depending on the level of any discount from or premium to net asset value during the period.

#### Distributions declared per common share

12/01/05 -11/30/06 (\$) 0.35

A portion of the trust's income may be subject to the alternative minimum tax. The trust may at times purchase tax exempt securities at a discount from their original issue price. Some or all of this discount may be included in the trust's ordinary income, and any market discount is taxable when distributed.

For the 12-month period ended November 30, 2006, Colonial Municipal Income

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Trust generated a total return of 17.99%, based on its market price. Changes in the market price of the trust's shares reflect investor demand and are not necessarily linked directly to changes in the trust's net asset value. The trust returned 10.15%, based on investment at net asset value, behind the 10.80% average return of the Lipper High Yield Municipal Debt Funds Classification.<sup>/1/</sup> The trust's performance, based on investment at net asset value, also trailed the 10.90% average return generated by a customized peer group consisting of nine leveraged closed-end high-yield municipal funds that have all issued preferred shares. The trust's dividends were among the highest in its Lipper peer group, which may have helped boost its stock market price. The trust's focus on longer-maturity bonds also benefited returns. A below-average stake in the top-performing airline sector and slightly less sensitivity than several of its peers to interest rate changes caused the trust's return at net asset value to trail the Lipper average.

### Longer-maturity, high yield municipals led the way

High-yield municipal bonds posted strong gains for the year, outpacing investment grade municipal issues. The sector benefited as relatively low interest rates pushed investors to search for added yield. Solid economic growth also gave investors confidence that issuers with lower credit ratings would be able to meet their interest payments to bond holders. Longer-maturity bonds, which tend to be more sensitive to interest rate changes than shorter-maturity issues, did particularly well as inflation concerns eased in the second half of the period.

### Airline bonds aided returns

Airline bonds were strong performers, fueled by growing passenger loads and improved cash flows. Standouts among the fund's positions in the sector were bonds issued by Continental Airlines, Inc. and American Airlines, Inc. (0.6% and 0.6% of total investments, respectively).<sup>/2/</sup> In addition, a multi-family housing bond issued by Alexandria (Virginia) Courthouse Crossing, which was priced below par, was unexpectedly called (or redeemed) at par (or \$100). Credit improvements aided bonds issued by both Hoosier Care, Inc., a nonprofit that runs pediatric and geriatric group homes in Illinois and Indiana, as well as by Park View, a multi-family housing project in Wilmington, Delaware (0.4% and 0.5% of total investments, respectively).

### Nursing home bonds were detractors

Some of the fund's nursing home bonds experienced credit downgrades that resulted in disappointing performance. They included bonds issued by a nursing home in Gary, Indiana, which we sold at a loss, and bonds issued by Woodlawn Manor (0.1% of total investments), a Massachusetts nursing and rehabilitation facility. Also, the price of bonds issued by V Lakes Utility District in Mississippi (0.1% of total investments) declined as the district struggled with financial problems.

### The trust's dividend yield declined as long-term interest rates fell

Although the trust has one of the highest dividend yields in its peer group, its dividend yield fell as the income derived from leverage dropped. The trust's leverage comes from its preferred shares, which were issued in 1999.

<sup>/1/</sup>Lipper Inc., a widely respected data provider in the industry, calculates an average total return (assuming reinvestment of distributions) for mutual funds with investment objectives similar to those of the trust. Lipper makes no adjustment for the effect of sales loads.

<sup>/2/</sup>Holdings are disclosed as of November 30, 2006, and are subject to change.

\*See page 30 for total returns based on market price for the past five fiscal years.

# Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Portfolio Manager's Report (continued) - Colonial Municipal Income Trust

## Top 5 sectors

as of 11/30/06 (%)

Continuing Care	
Retirement	12.7
Hospitals	9.6
Refunded/Escrowed	9.0
Multi-Family	6.5
Special Non-Property Tax	6.4

## Quality breakdown

as of 11/30/06 (%)

AAA	27.3
AA	2.6
A	6.5
BBB	23.6
BB	2.7
B	2.0
CCC	0.4
Non-Rated	33.4
Cash and Equivalent	1.5

Sector and quality breakdowns are calculated as a percentage of total investments. Ratings shown in the quality breakdown represent the rating assigned to a particular bond by one of the following nationally recognized rating agencies: Standard & Poor's, a division of The McGraw Hill Companies, Inc., Moody's Investors Service, Inc. or Fitch Ratings, Ltd. Ratings are relative and subjective and are not absolute standards of quality. Credit quality does not remove market risk. The majority of the bonds that are non-rated are considered by the advisor to be of non-investment grade quality. Portfolio characteristics and holdings are subject to change periodically and may not be representative of current characteristics and holdings. Because the trust is actively managed, there is no guarantee that the trust will maintain these sectors or continue to have this quality breakdown in the future.

We invest the proceeds from the preferred shares in longer maturity, higher-yielding bonds, and then pay out to preferred shareholders a short-term rate influenced by the federal funds rate--the overnight rate at which banks lend each other money. During the past year, the dividend yield was squeezed on both ends as the federal funds rate rose to 5.25% and long-term yields fell. However, we believe leverage still gave common shareholders a higher dividend payment than they would have earned without it.

Our outlook is cautiously optimistic

Going forward, we expect the high-yield municipal sector to benefit from strong investor demand, relatively low long-term interest rates, stable inflation and solid economic growth. In this environment, we plan to add new bonds selectively, given that there is little difference between the yields of lower and higher quality issues. Our focus will most likely remain on longer-maturity issues, which should fare well as long as inflation remains contained.

## Portfolio Management

Maureen G. Newman has been the portfolio manager of Colonial Municipal Income Trust since August 1998. Ms. Newman has managed various municipal funds for

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Columbia Management Advisors, LLC or its predecessors or affiliate organizations since May 1996.

Shares of closed-end funds frequently trade at a discount to net asset value. The price of the trust's shares is determined by a number of factors, several of which are beyond the control of the trust. Therefore, the trust cannot predict whether its shares will trade at, below or above net asset value.

Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yield and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa.

Investing in high-yield or "junk" bonds offers the potential for higher income than investments in investment-grade bonds, but also has a higher degree of risk. Changes in economic conditions or other circumstances may adversely affect a high-yield bond issuer's ability to make timely principal and interest payments.

Tax-exempt investing offers current tax-exempt income, but it also involves special risks. The value of the trust shares will be affected by interest rate changes and the creditworthiness of issues held in the trust. Interest income from certain tax-exempt bonds may be subject to certain state and local taxes and, if applicable, the alternative minimum tax. Capital gains are not exempt from income taxes.

2

Investment Portfolio - Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds - 149.5%

		Par (\$)	V
Education - 1.8%			
Education - 1.0%			
MI Southfield Economic Development Corp.	Lawrence University, Series 1998 A, 5.400% 02/01/18	750,000	
PA Higher Education Facilities Authority	Philadelphia University, Series 2004 A, 5.125% 06/01/25	570,000	
WV University	Series 2000 A, Insured: AMBAC (a) 04/01/25	750,000	
	Education Total		1
Prep School - 0.8%			
CA Statewide Communities Development Authority	Crossroads School for Arts & Sciences, Series 1998, 6.000% 08/01/28 (b)	1,060,000	1
MI Summit Academy North	Series 2005, 5.500% 11/01/35	250,000	

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

		-----	-----
	Prep School Total		1 3
Education Total			
Health Care - 43.0%			
Continuing Care Retirement - 19.5%			
CA La Verne	Brethren Hillcrest Homes, Series 2003 B, 6.625% 02/15/25	525,000	
CO Health Facilities Authority	Christian Living Communities, Series 2006 A, 5.750% 01/01/37 Covenant Retirement Communities, Inc., Series 2005, 5.000% 12/01/35	500,000 1,100,000	1 1
CT Development Authority	Elim Park Baptist Home, Inc., Series 2003, 5.850% 12/01/33	430,000	
FL Capital Projects Finance Authority	Glenridge on Palmer Ranch, Series 2002 A, 8.000% 06/01/32	500,000	
FL Lee County Industrial Development Authority	Shell Point Village, Series 1999 A, 5.500% 11/15/29	400,000	
FL St. John's County Industrial Development Authority	Lifecare St. John's, Inc., Series 2006 A, 5.250% 01/01/26	500,000	
GA Fulton County Residential Care Facilities Authority	Canterbury Court, Series 2004 A, 6.125% 02/15/26	500,000	
GA Savannah Economic Development Authority	Marshes of Skidaway, Series 2003 A, 7.400% 01/01/34	350,000	
IL Finance Authority	Lutheran Senior Services, Series 2006, 5.125% 02/01/26 Washington & Jane Smith Community, Series 2005 A, 6.250% 11/15/35	875,000 1,000,000	1 1

See Accompanying Notes to Financial Statements.

3

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

Health Care (continued)

Continuing Care Retirement (continued)

		Par (\$)
IL Health Facilities Authority	Washington & Jane Smith Community, Series 2003 A, 7.000% 11/15/32	525,000
IN Health & Educational Facilities Financing Authority	Baptist Homes of Indiana, Inc., Series 2005, 5.250% 11/15/35	750,000

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

KS Manhattan	Meadowlark Hills Retirement Home, Series 1999 A, 6.375% 05/15/20	250,0
MA Boston Industrial Development Financing Authority	Springhouse, Inc., Series 1998, 5.875% 07/01/20	235,0
MA Development Finance Agency	Loomis House, Inc.: Series 1999 A, 5.625% 07/01/15 Series 2002 A, 6.900% 03/01/32	250,0 125,0
MD Westminster Economic Development Authority	Carroll Lutheran Village, Inc., Series 2004 A, 6.250% 05/01/34	500,0
MI Kentwood Economic Development Corp.	Holland Home, Series 2006 A, 5.375% 11/15/36	750,0
MO Cole County Industrial Development Authority	St. John's Lutheran Service, Series 2004, 5.500% 02/01/35	750,0
MT Facility Finance Authority	St John's Lutheran Ministries, Inc., Series 2006 A, 6.125% 05/15/36	300,0
NC Medical Care Commission	United Methodist Retirement Home, Inc., Series 2005 C, 5.250% 10/01/24	500,0
NH Higher Educational & Health Facilities Authority	Rivermead at Peterborough, Series 1998, 5.750% 07/01/28	1,100,0
NJ Economic Development Authority	Hebrew Old Age Center, Series 2006, 5.375% 11/01/36 Lions Gate, Series 2005 A: 5.750% 01/01/25 5.875% 01/01/37 Lutheran Social Ministries, Series 2005, 5.100% 06/01/27 Marcus L. Ward Home, Series 2004, 5.750% 11/01/24 Seabrook Village, Inc., Series 2000 A, 8.250% 11/15/30 Series 2006: 5.250% 11/15/26 (c) 5.250% 11/15/36 (c)	350,0 400,0 300,0 325,0 500,0 700,0 500,0 500,0

See Accompanying Notes to Financial Statements.

4

	Par (\$)	Val
Health Care (continued)		
Continuing Care Retirement (continued)		
PA Bucks County Industrial Development Authority	Ann's Choice, Inc., Series 2005 A: 6.125% 01/01/25	500,000 5



Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

	6.250% 01/01/35	250,000	2
PA Chartiers Valley Industrial & Commercial Development Authority	Asbury Health Center, Series 1999, 6.375% 12/01/24	1,000,000	1,0
	Friendship Village of South Hills, Series 2003 A, 5.750% 08/15/20	1,000,000	1,0
PA Delaware County Authority	Dunwoody Village, Series 2003 A, 5.375% 04/01/17	400,000	4
PA Montgomery County Industrial Development Authority	Whitemarsh Continuing Care Retirement Community, Series 2005: 6.125% 02/01/28	150,000	1
	6.250% 02/01/35	600,000	6
PA Westmoreland County Industrial Development Authority	Redstone Highlands, Series 2005 A: 5.750% 01/01/26	1,250,000	1,3
	5.875% 01/01/32	600,000	6
SC Jobs-Economic Development Authority	Wesley Commons, Series 2006: 5.125% 10/01/26	400,000	4
	5.300% 10/01/36	200,000	2
TN Johnson City Health & Educational Facilities Authority	Appalachian Christian Village, Series 2004 A, 6.250% 02/15/32	250,000	2
TN Metropolitan Government Nashville & Davidson County	Blakeford at Green Hills, Series 1998, 5.650% 07/01/24	575,000	5
TN Shelby County Health Educational & Housing Facilities Board	Germantown Village, Series 2003 A, 7.250% 12/01/34	300,000	3
	Trezevant Manor, Series 2006 A: 5.625% 09/01/26	500,000	5
	5.750% 09/01/37	400,000	4
TX Abilene Health Facilities Development Corp.	Sears Methodist Retirement Center: Series 1998 A, 5.900% 11/15/25	750,000	7
	Series 2003 A, 7.000% 11/15/33	200,000	2
TX Health Facilities Development Corp. of Central Texas, Inc.	Legacy at Willow Bend, Series 2006 A, 5.750% 11/01/36	600,000	6
TX Houston Health Facilities Development Corp.	Buckingham Senior Living Community, Inc., Series 2004 A, 7.000% 02/15/26	500,000	5

See Accompanying Notes to Financial Statements.

5

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Colonial Municipal Income Trust  
November 30, 2006

### Municipal Bonds (continued)

	Par (\$)
Health Care (continued)	
Continuing Care Retirement (continued)	
TX Tarrant County Cultural Education Facilities	Northwest Senior Housing-Edgemere, Series 2006 A, 6.000% 11/15/36 500,00
VA Suffolk Industrial Development Authority Retirement Facilities	Lake Prince Center, Series 2006, 5.300% 09/01/31 250,00
VA Virginia Beach Development Authority	Westminster-Canterbury, Series 2005, 5.250% 11/01/26 450,00
WI Health & Educational Facilities Authority	Clement Manor, Series 1998, 5.750% 08/15/24 1,000,00 Eastcastle Place, Inc., Series 2004, 6.125% 12/01/34 300,00 Milwaukee Catholic Home, Series 2006, 5.000% 07/01/26 250,00 Three Pillars Senior Living Communities, Series 2003, 5.750% 08/15/26 500,00 United Lutheran Program for the Aging, Series 1998, 5.700% 03/01/28 750,00
-----	
Continuing Care Retirement Total	
Health Services - 2.7%	
CO Health Facilities Authority	National Jewish Medical & Research Center, Series 1998: 5.375% 01/01/16 1,500,00 5.375% 01/01/23 340,00
MA Development Finance Agency	Boston Biomedical Research Institute, Series 1999, 5.650% 02/01/19 620,00
MA Health & Educational Facilities Authority	Civic Investments, Inc., Series 2002 A, GTY AGMT: Harvard Pilgrim Health Care 9.000% 12/15/15 750,00
MN Minneapolis & St. Paul Housing & Redevelopment Authority	Healthpartners Obligation Group, Series 2003, 5.625% 12/01/22 200,00
WI Health & Educational Facilities Authority	Blood Center Southeastern Wisconsin, Series 2004, 5.750% 06/01/34 750,00
-----	
Health Services Total	
Hospitals - 14.8%	
AR Conway Health Facilities Board	Conway Regional Medical Center: Series 1999 A, 6.400% 08/01/29 350,00 Series 1999 B, 6.400% 08/01/29 850,00
AR Washington County	Washington Regional Medical Center, Series 2005 B,

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

5.000% 02/01/30

600,00

See Accompanying Notes to Financial Statements.

6

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

		Par (\$)	V
Health Care (continued)			
Hospitals (continued)			
CA Turlock	Emanuel Medical Center, Inc., Series 2004, 5.375% 10/15/34	1,000,000	1
CO Health Facilities Authority	Parkview Medical Center, Series 2004, 5.000% 09/01/25	550,000	
	Vail Valley Medical Center, Series 2004, 5.000% 01/15/20	500,000	
FL South Lake County Hospital District	South Lake Hospital, Inc., Series 2003, 6.375% 10/01/34	250,000	
FL West Orange Healthcare District	Series 2001 A, 5.650% 02/01/22	400,000	
IL Health Facilities Authority	Thorek Hospital & Medical Center, Series 1998, 5.375% 08/15/28	500,000	
IL Southwestern Development Authority	Anderson Hospital: Series 1999: 5.375% 08/15/15 5.500% 08/15/20 Series 2006, 5.125% 08/15/26 (c)	500,000 550,000 500,000	
IN Health Facility Financing Authority	Community Foundation of Northwest Indiana, Inc., Series 2004 A, 6.000% 03/01/34	425,000	
KS Salina Hospital Revenue	Salina Regional Health Center Inc., Series 2005 A, 4.625% 10/01/31	400,000	
KS University Hospital Authority	Series 2006, 4.500% 09/01/32 (c)	250,000	
LA Public Facilities Authority	Touro Infirmary, Series 1999 A: 5.500% 08/15/19 5.625% 08/15/29	250,000 525,000	
MA Health & Educational Facilities	Jordan Hospital, Series 2003 E,		

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Authority	6.750% 10/01/33	250,000
	Milford-Whitinsville Regional Hospital:	
	Series 1998 C,	
	5.250% 07/15/18	500,000
	Series 2002 D,	
	6.350% 07/15/32	250,000
MD Health & Higher Educational Facilities Authority	Adventist Healthcare, Series 2003 A:	
	5.000% 01/01/16	365,000
	5.750% 01/01/25	400,000
MI Dickinson County	Series 1999,	
	5.700% 11/01/18	770,000

See Accompanying Notes to Financial Statements.

7

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

		Par (\$)
Health Care (continued)		
Hospitals (continued)		
MN St. Paul Housing & Redevelopment Authority	HealthEast, Inc., Series 2001 A, 5.700% 11/01/15	2,000,0
MO Saline County Industrial Development Authority	John Fitzgibbon Memorial Hospital, Series 2005, 5.625% 12/01/35	985,0
NH Higher Educational & Health Facilities Authority	Catholic Medical Center, Series 2002 A, 6.125% 07/01/32	25,0
	Littleton Hospital Association, Inc.:	
	Series 1998 A:	
	5.900% 05/01/18	500,0
	6.000% 05/01/28	625,0
	Series 1998 B,	
	5.900% 05/01/28	675,0
	Memorial Hospital at North Conway, Series 2006, 5.250% 06/01/21	530,0
NV Henderson	St. Rose Dominican Hospital, Series 1998 A, 5.375% 07/01/26	385,0
NY Dormitory Authority	Long Island Jewish Medical Center, Series 2003, 5.500% 05/01/33	200,0
	Mount Sinai Hospital:	
	Series 2000 C,	
	5.500% 07/01/26	575,0
	Series 2000,	
	5.500% 07/01/26	175,0

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

OH Highland County Joint Township	Series 1999, 6.750% 12/01/29	695,0
OH Lakewood	Lakewood Hospital Association, Series 2003, 5.500% 02/15/14	400,0
OH Miami County Hospital Facilities Authority	Upper Valley Medical Center, Inc., Series 2006, 5.250% 05/15/18	300,0
OH Sandusky County	Memorial Hospital, Series 1998, 5.150% 01/01/08	270,0
SC Lexington County Health Services	Lexington Medical Center, Series 2003, 5.500% 11/01/23	750,0
SD Health & Educational Facilities Authority	Sioux Valley Hospital & Health System, Series 2004 A, 5.250% 11/01/34	525,0
TX Tyler Health Facilities Development Corp.	Mother Frances Hospital, Series 2001, 6.000% 07/01/31	750,0
VT Educational & Health Buildings Finance Agency	Brattleboro Memorial Hospital, Series 1998, 5.375% 03/01/28	500,0

See Accompanying Notes to Financial Statements.

8

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

	Par (\$)
Health Care (continued)	
Hospitals (continued)	
WI Health & Educational Facilities Authority	Aurora Health Care, Inc., Series 2003, 6.400% 04/15/33 350,0
	Fort Healthcare, Inc., Series 2004, 6.100% 05/01/34 750,0
	Wheaton Franciscan Services, Series 2002, 5.750% 08/15/30 450,0
	----- Hospitals Total
Intermediate Care Facilities - 0.6%	
IN Health Facilities Financing Authority	Hoosier Care, Inc., Series 1999 A, 7.125% 06/01/34 1,035,0
	----- Intermediate Care Facilities Total
Nursing Homes - 5.4%	
AK Juneau	St. Ann's Care Center, Inc., Series 1999, 6.875% 12/01/25 975,0

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

CO Health Facilities Authority	American Housing Foundation I, Inc., Series 2003 A, 8.500% 12/01/31	535,0
	Evangelical Lutheran Good Samaritan Foundation, Series 2005, 5.000% 06/01/35	250,0
	Volunteers of America Care Facilities, Series 1998 A: 5.450% 07/01/08	90,0
	5.750% 07/01/20	700,0
Greystone Midwest Junior Lien	7.148% 08/01/36 (d)	812,7
IA Finance Authority	Care Initiatives, Series 1998 B: 5.750% 07/01/18	550,0
	5.750% 07/01/28	1,475,0
KY Economic Development Finance Authority	Series 2003, 6.500% 01/01/29	395,0
MA Development Finance Agency	AHF/Woodlawn Manor, Inc.: Series 2000 A, 7.750% 12/01/27 (e)	364,0
	Series 2000 B, 10.250% 06/01/27 (d) (e)	113,1
	Alliance Health Care Facilities, Series 1999 A, 7.100% 07/01/32	1,105,0
MA Industrial Finance Agency	GF/Massachusetts, Inc., Series 1994, 8.300% 07/01/23	830,0
MN Sartell	Foundation for Health Care, Series 1999 A, 6.625% 09/01/29	1,025,0
	-----	
Health Care Total	Nursing Homes Total	

See Accompanying Notes to Financial Statements.

9

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

		Par (\$)	Va
Housing - 15.0%			
Assisted Living/Senior - 3.1%			
DE Kent County	Heritage at Dover, Series 1999, AMT, 7.625% 01/01/30	1,180,000	1,
GA Columbus Housing Authority	Calvary Community, Inc., III, Series 1999, 7.000% 11/15/19	470,000	

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

MN Roseville	Care Institute, Inc., Series 1993, 7.750% 11/01/23	1,630,000 1,
NC Medical Care Commission	DePaul Community Facilities, Inc., Series 1999, 7.625% 11/01/29	945,000
NY Huntington Housing Authority	Gurwin Jewish Senior Center, Series 1999 A: 5.875% 05/01/19 6.000% 05/01/29	420,000 650,000
-----		-----
	Assisted Living/Senior Total	5,
Multi-Family - 8.0%		
DC Housing Finance Agency	Henson Ridge, Series 2004 E, AMT, Insured: FHA 5.100% 06/01/37	655,000
DE Wilmington	Electra Arms Senior Association, Series 1998, AMT, 6.250% 06/01/28	890,000
FL Broward County Housing Finance Authority	Chaves Lake Apartments Ltd., Series 2000 A, AMT, 7.500% 07/01/40	500,000
FL Capital Trust Agency	Atlantic Housing Foundation, Inc., Series 2005 C, 5.875% 01/01/28	660,000
FL Clay County Housing Finance Authority	Breckenridge Commons Ltd., Series 2000 A, AMT, 7.450% 07/01/40	500,000
MA Housing Finance Agency	Series 2004 A, AMT, Insured: FSA 5.250% 07/01/25 Series 2005 E, AMT, 5.000% 12/01/28	2,000,000 2, 500,000
MN Minneapolis Student Housing	Riverton Community Housing, Inc., Series 2006 A, 5.700% 08/01/40	500,000
MN Washington County Housing & Redevelopment Authority	Cottages of Aspen, Series 1992, AMT, 9.250% 06/01/22	940,000
MN White Bear Lake	Birch Lake Townhomes: Series 1989 A, AMT, 10.250% 07/15/19 Series 1989 B, AMT, (a) 07/15/19	1,770,000 1, 623,000
NC Medical Care Commission	ARC Project, Series 2004 A, 5.800% 10/01/34	800,000

See Accompanying Notes to Financial Statements.

10

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

		Par (\$)	Value (\$)
Housing (continued)			
Multi-Family (continued)			
NM Mortgage Finance Authority	Series 2005 E, AMT, Insured: FHA 4.800% 09/01/40	500,000	500,120
NY New York City Housing Development Corp.	Series 2005 F-1, 4.650% 11/01/25	750,000	773,175
OH Montgomery County	Heartland of Centerville, LLC, Series 2005, AMT, Insured: FHLMC 4.950% 11/01/35	250,000	256,480
Resolution Trust Corp.	Pass-Through Certificates, Series 1993 A, 8.500% 12/01/16 (f)	455,481	454,725
TX El Paso County Housing Finance Corp.	American Village Communities: Series 2000 C, 8.000% 12/01/32 Series 2000 D, 10.000% 12/01/32	295,000 300,000	305,759 312,762
WA Seattle Housing Authority	High Rise Rehabilitation Phase I LP, Series 2005, AMT, Insured: FSA 5.000% 11/01/25	500,000	513,740
	-----	-----	-----
	Multi-Family Total		13,216,232
Single-Family - 3.9%			
KY Kentucky County	Series 1987 A, AMT, Insured: MBIA 9.000% 09/01/16	5,000	5,014
MA Housing Finance Agency	Series 2005 118, AMT, 4.850% 12/01/35 Series 2005 B, 5.000% 06/01/30	1,160,000 500,000	1,171,960 519,640
ME Housing Authority	Series 2005 D-2, AMT, 4.800% 11/15/36	500,000	507,190
MN Minneapolis St. Paul Housing Finance Board	Series 2006, AMT, Insured: GNMA 5.000% 12/01/38	750,000	775,538
ND Housing Finance Agency	Series 2006 A, AMT, 4.850% 07/01/21	500,000	515,245
OK Housing Finance Agency	Series 2006 C, AMT, Insured: GNMA 4.900% 09/01/21	1,000,000	1,032,990
PA Pittsburgh Urban Redevelopment Authority	Series 2006 C, Insured: GNMA 4.800% 04/01/28	1,000,000	1,018,690
WI Housing & Economic Development Authority	Series 2005 C, AMT, 4.875% 03/01/36	960,000	975,734
	-----	-----	-----
	Single-Family Total		6,522,001
Housing Total			24,845,208



## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

See Accompanying Notes to Financial Statements.

11

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

	Par (\$)	
Industrials - 8.4%		
Food Products - 1.6%		
GA Cartersville Development Authority	Anheuser Busch Companies, Inc., Series 2002, AMT, 5.950% 02/01/32	1,000,000
LA Southern Louisiana Port Commission	Cargill, Inc., Series 1997, 5.850% 04/01/17	500,000
MI Strategic Fund	Imperial Holly Corp., Series 1998 A, 6.250% 11/01/15	1,000,000
	Food Products Total	2,500,000
Forest Products & Paper - 2.3%		
AL Camden Industrial Development Board	Weyerhaeuser Co., Series 2003 B, AMT, 6.375% 12/01/24	400,000
AL Courtland Industrial Development Board	Series 1999, AMT, 6.000% 08/01/29	1,000,000
AL Phenix City Industrial Development Board	Meadwestvaco Corp., Series 2002 A, AMT, GTY AGMT: Meadwestvaco Corp. 6.350% 05/15/35	400,000
GA Rockdale County Development Authority	Visy Paper, Inc., Series 1993, AMT, 7.500% 01/01/26	800,000
MS Lowndes County	Weyerhaeuser Co., Series 1992 B, 6.700% 04/01/22	595,000
VA Bedford County Industrial Development Authority	Nekoosa Packaging Corp., Series 1998, AMT, 5.600% 12/01/25	400,000
	Forest Products & Paper Total	2,595,000
Manufacturing - 0.5%		
IL Will-Kankakee Regional Development Authority	Flanders Corp., Series 1997, AMT, 6.500% 12/15/17	745,000
	Manufacturing Total	745,000
Metals & Mining - 0.5%		
NV Department of Business & Industry	Wheeling-Pittsburgh Steel Corp., Series 1999 A, AMT, 8.000% 09/01/14	190,000

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

VA Greensville County Industrial Development Authority	Wheeling-Pittsburgh Steel Corp., Series 1999 A, AMT, 7.000% 04/01/14	545,000
Metals & Mining Total		
Oil & Gas - 2.9%		
NJ Middlesex County Pollution Control Authority	Amerada Hess Corp., Series 2004, 6.050% 09/15/34	115,000
NV Clark County Industrial Development Authority	Southwest Gas Corp., Series 2005 A, AMT, Insured: AMBAC 4.850% 10/01/35	3,000,000 3

See Accompanying Notes to Financial Statements.

12

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

	Par (\$)	Value (\$)
Industrials (continued)		
Oil & Gas (continued)		
TX Gulf Coast Industrial Development Authority	Citgo Petroleum Corp., Series 1998, AMT, 8.000% 04/01/28	375,000 426,7
VI Virgin Islands Public Finance Authority		
	Hovensa LLC: Series 2003, AMT, 6.125% 07/01/22	425,000 472,7
	Series 2004, AMT, 5.875% 07/01/22	400,000 441,0
VI Virgin Islands	Hovensa LLC, Series 2002, AMT, 6.500% 07/01/21	250,000 283,3
Oil & Gas Total		4,848,4
Other Industrial Development Bonds - 0.6%		
NJ Economic Development Authority	GMT Realty LLC, Series 2006 B, AMT, 6.875% 01/01/37	1,000,000 1,019,7
Other Industrial Development Bonds Total		1,019,7
Industrials Total		13,850,4
Other - 17.7%		
Other - 0.3%		
PR Commonwealth of Puerto Rico Government Development Bank	Series 2006 B, 5.000% 12/01/15	400,000 433,5
Other Total		433,5
Pool/Bond Bank - 0.7%		
MI Municipal Bond Authority	Series 2001 A, Insured: AMBAC	

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

	5.375% 11/01/17	550,000	592,3
OH Summit County Port Authority	Twinsburg Township, Series 2005 D, 5.125% 05/15/25	655,000	668,4
	-----		-----
	Pool/Bond Bank Total		1,260,7
Refunded/Escrowed(g) - 13.9%			
CA Golden State Tobacco Securitization Corp.	Series 2003 B, Pre-refunded 06/01/13, 5.500% 06/01/43	500,000	555,8
CA Orange County Community Facilities District	Ladera Ranch, Series 1999 A, Pre-refunded 08/15/09, 6.500% 08/15/21	1,000,000	1,092,2
CA Statewide Communities Development Authority	Eskaton Village - Grass Valley, Series 2000, Pre-refunded 11/15/10, 8.250% 11/15/31	725,000	846,1
CO E-470 Public Highway Authority	Series 2000 B, Pre-refunded 09/01/10, (a) 09/01/35	8,750,000	1,163,5
CT Development Authority Sewer Sludge Disposal Facilities	New Haven Residuals LP, Series 1996, AMT, Escrowed to Maturity, 8.250% 12/01/06	240,000	240,0

See Accompanying Notes to Financial Statements.

13

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

			Par (\$)
Other (continued)			
Refunded/Escrowed(g) (continued)			
FL Northern Palm Beach County Improvement District	Series 1999, Pre-refunded 08/01/09, Insured: MBIA 5.900% 08/01/19		500,000
FL Orange County Health Facilities Authority	Orlando Regional Healthcare System, Series 2002, Pre-refunded 12/01/12, 5.750% 12/01/32		150,000
GA Forsyth County Hospital Authority	Baptist Health Care System, Series 1998, Escrowed to Maturity, 6.000% 10/01/08		330,000
IA Finance Authority	Care Initiatives, Series 1996, Pre-refunded 07/01/11, 9.250% 07/01/25		955,000
ID Health Facilities Authority	IHC Hospitals, Inc., Series 1992,		

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

	Escrowed to Maturity, 6.650% 02/15/21	2,750,000
IL Health Facilities Authority	Lutheran Senior Ministries, Series 2001 A, Pre-refunded 08/15/11, 7.375% 08/15/31	650,000
	Swedish American Hospital, Series 2000, Pre-refunded 05/15/10, 6.875% 11/15/30	500,000
IL Metropolitan Pier & Exposition Authority	McCormick Place Expansion, Series 1993 A, Escrowed to Maturity, Insured: FGIC (a) 06/15/14	1,010,000
IL University of Illinois	Series 2001 A, Pre-refunded 08/15/11, Insured: AMBAC 5.500% 08/15/17	600,000
MA Development Finance Agency	Western New England College, Series 2002, Pre-refunded 12/01/12, 6.125% 12/01/32	200,000
MN Carlton	Inter-Faith Social Services, Inc., Series 2000, Pre-refunded 04/01/10, 7.500% 04/01/19	250,000
NC Lincoln County	Lincoln County Hospital, Series 1991, Escrowed to Maturity, 9.000% 05/01/07	75,000
NH Higher Educational & Health Facilities Authority	Catholic Medical Center, Series 2002 A, Pre-refunded 7/01/12, 6.125% 07/01/32	175,000
NM Red River Sports Facility	Red River Ski Area, Series 1998, 6.450% 06/01/07	185,000

See Accompanying Notes to Financial Statements.

14

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

Other (continued)

Refunded/Escrowed(g) (continued)

NV Henderson	St. Rose Dominican Hospital, Series 1998 A, Pre-refunded 07/01/08, 5.375% 07/01/26	115,000
NY Convention Center Operating Corp.	Yale Building Project, Series 2003, Escrowed to Maturity,	

Par (\$)

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

	(a) 06/01/08	1,000,0
NY New York	Series 1998 H, Escrowed to Maturity, Insured: MBIA 5.125% 08/01/25	185,0
PA Delaware County Authority	Mercy Health Corp., Series 1996, Escrowed to Maturity: 6.000% 12/15/16 6.000% 12/15/26	1,400,0 500,0
PA Lancaster Industrial Development Authority	Garden Spot Village, Series 2000 A, Pre-refunded 05/01/10, 7.625% 05/01/31	325,0
PA Philadelphia Authority for Industrial Development	Starwood Hotels & Resorts, Series 1997 A, Pre-refunded 02/01/07, 6.500% 10/01/27	2,000,0
PR Commonwealth of Puerto Rico Public Finance Corp.	Series 2002 E, Escrowed to Maturity, 6.000% 08/01/26	80,0
TN Shelby County Health, Educational & Housing Facilities Board	Open Arms Development Centers: Series 1992 A, Pre-refunded 08/01/07, 9.750% 08/01/19 Series 1992 C, Pre-refunded 08/01/12, 9.750% 08/01/19	420,0 425,0
TX Board of Regents	University of Texas, Series 2001 B, Escrowed to Maturity, 5.375% 08/15/18	350,0
VT Educational & Health Buildings Finance Agency	Norwich University, Series 1998, Pre-refunded 07/01/08, 5.500% 07/01/21	1,000,0
WI Health & Educational Facilities Authority	Attic Angel Obligated Group, Series 1998, Pre-refunded 11/17/08, 5.750% 11/15/27	875,0
WV Hospital Finance Authority	Charleston Area Medical Center, Series 2000, Pre-refunded 09/01/10, 6.750% 09/01/30	605,0
-----		
	Refunded/Escrowed Total	

See Accompanying Notes to Financial Statements.

15

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

Par (\$) Value (\$)

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Other (continued)

Tobacco - 2.8%				
CA County Tobacco Securitization Agency	Series 2006, (a) 06/01/46	3,500,000	273,210	
CA Golden State Tobacco Securitization Corp.	Series 2003 A-1, 6.250% 06/01/33	1,600,000	1,794,624	
CA Tobacco Securitization Authority	San Diego County Tobacco, Series 2006, (a) 06/01/46	6,000,000	555,000	
NJ Tobacco Settlement Financing Corp.	Series 2003, 6.750% 06/01/39	1,000,000	1,149,930	
NY Nassau County Tobacco Settlement Corp.	Series 2006, (a) 06/01/60	10,000,000	353,900	
WA Tobacco Settlement Authority	Series 2002, 6.625% 06/01/32	500,000	560,825	
	Tobacco Total		4,687,489	
Other Total			29,421,594	
Other Revenue - 4.7%				
Hotels - 1.5%				
MD Economic Development Corp.	Series 2006 A, 5.000% 12/01/31	750,000	758,130	
NJ Middlesex County Improvement Authority	Heldrich Associates LLC: Series 2005 B, 6.250% 01/01/37 Series 2005 C, 8.750% 01/01/37	1,000,000	1,041,180	
	Hotels Total		2,411,280	
Recreation - 2.2%				
CA Agua Caliente Band of Cahuilla Indians	Series 2003, 5.600% 07/01/13	775,000	810,510	
CA Cabazon Band Mission Indians	Series 2004: 8.375% 10/01/15 (f) 8.750% 10/01/19 (f)	190,000	196,734	
		720,000	753,163	
CT Mashantucket Western Pequot	Series 1999 B, (a) 09/01/18 (f)	1,100,000	614,933	
CT Mohegan Tribe Gaming Authority	Series 2001, 6.250% 01/01/31 (f)	200,000	213,204	
NY Liberty Development Corp.	National Sports Museum, Series 2006 A, 6.125% 02/15/19 (f)	400,000	416,908	
OR Cow Creek Band Umpqua Tribe of Indians	Series 2006 C, 5.625% 10/01/26 (f)	650,000	666,380	
	Recreation Total		3,671,832	

See Accompanying Notes to Financial Statements.

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

		Par (\$)
Other Revenue (continued)		
Retail - 1.0%		
LA Beauregard Parish	Office Max, Series 2002, 6.800% 02/01/27	1,000,000
OH Lake County	North Madison Properties, Series 1993, 8.819% 09/01/11	520,000
		-----
Retail Total		
Other Revenue Total		
Resource Recovery - 2.0%		
Disposal - 0.8%		
CA Pollution Control Financing Authority	Republic Services, Series 2002 C, AMT, 5.250% 06/01/23	500,000
UT Carbon County	Laidlaw Environmental: Series 1995 A, AMT, 7.500% 02/01/10	250,000
	Series 1997 A, AMT, 7.450% 07/01/17	500,000
		-----
Disposal Total		
Resource Recovery - 1.2%		
MA Industrial Finance Agency	Ogden Haverhill Associates, Series 1998 A, AMT, 5.500% 12/01/13	1,000,000
PA Delaware County Industrial Development Authority	American REF-Fuel Co., Series 1997 A, 6.200% 07/01/19	1,000,000
		-----
Resource Recovery Total		
Tax-Backed - 29.2%		
Local Appropriated - 1.6%		
CA Compton	Civic Center & Capital Improvements, Series 1997 A, 5.500% 09/01/15	1,000,000
SC Dorchester County School District No. 2	Series 2004, 5.250% 12/01/29	500,000
SC Laurens County School District No. 55	Lancaster County School District, Series 2005, 5.250% 12/01/30	700,000
SC Newberry County School District	Series 2005, 5.000% 12/01/30	400,000
		-----
Local Appropriated Total		

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Local General Obligations - 7.0%		
CA Los Angeles Unified School District	Series 2002 E, Insured: MBIA 5.750% 07/01/16	600,000
CO Northwest Metropolitan District No. 3	Series 2005, 6.250% 12/01/35	500,000

See Accompanying Notes to Financial Statements.

17

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

	Par (\$)	Value (\$)
Tax-Backed (continued)		
Local General Obligations (continued)		
LA New Orleans	Series 1991, Insured: AMBAC (a) 09/01/15	4,000,000 2,765,120
NJ Bergen County Improvement Authority	Series 2005, 5.000% 11/15/24	1,000,000 1,138,290
NY New York	Series 1998 H, Insured: MBIA 5.125% 08/01/25	4,815,000 4,966,961
TX Dallas County Flood Control District	Series 2002, 7.250% 04/01/32	750,000 805,328
TX Irving Independent School District	Series 1997 A, Insured: PSFG (a) 02/15/16	1,000,000 692,470
	-----	-----
	Local General Obligations Total	11,607,323
Special Non-Property Tax - 9.9%		
CA San Diego Redevelopment Agency	Series 2001, Insured: FSA (a) 09/01/18	1,015,000 626,336
IL Bolingbrook	Series 2005, (h) 01/01/24 (6.250% 01/01/08)	500,000 491,115
IL Metropolitan Pier & Exposition Authority	McCormick Place Expansion: Series 1994 A, Insured: MBIA (a) 06/15/15	3,000,000 2,149,920
	Series 1996 A, Insured: MBIA (a) 12/15/13	5,000,000 3,825,150
	Series 2002 A, Insured: FGIC (a) 06/15/14	3,990,000 2,986,555
KS Wyandotte County	Series 2005,	



Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

	5.000% 12/01/20 Series 2006,	225,000	235,798
	4.875% 10/01/28	600,000	603,306
NJ Economic Development Authority	Series 2004: 5.500% 06/15/31 5.750% 06/15/29	120,000 500,000	128,415 546,365
PR Commonwealth of Puerto Rico Infrastructure Financing Authority	Series 2005 C, Insured: AMBAC 5.500% 07/01/24	4,000,000	4,797,520
	----- Special Non-Property Tax Total	----- -----	----- 16,390,480
Special Property Tax - 9.2% CA Huntington Beach Community Facilities District	Series 2001-1, 6.450% 09/01/31	500,000	541,025
CA Lincoln Community Facilities District No. 2003-1	Series 2004, 5.550% 09/01/18	450,000	467,447

See Accompanying Notes to Financial Statements.

18

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

		Par (\$)	Value (\$)
Tax-Backed (continued)			
Special Property Tax (continued)			
CA Oakdale Public Financing Authority	Series 2004, 5.375% 06/01/33	1,125,000	1,192,230
CA Orange County Improvement Bond Act 1915	Phase IV, No. 01-1-B, Series 2003, 5.750% 09/02/33	500,000	515,705
CA Redwood City Community Facilities District No. 1	Series 2003 B, 6.000% 09/01/33	300,000	316,560
CA Temecula Valley Unified School District No. 1	Series 2003, 6.125% 09/01/33	355,000	362,952
CA Yorba Linda Redevelopment Agency	Series 1998 A, Insured: MBIA (a) 09/01/24	1,325,000	622,591
FL Celebration Community Development District	Series 2003 A, 6.400% 05/01/34	730,000	782,239
FL Colonial Country Club Community Development District	Series 2003, 6.400% 05/01/33	485,000	523,509
FL Double Branch Community	Series 2002 A,		

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Development District	6.700% 05/01/34	490,000	541,754
FL Islands at Doral Southwest Community Development District	Series 2003, 6.375% 05/01/35	245,000	263,730
FL Lexington Oaks Community Development District	Series 1998 A, 6.125% 05/01/19	685,000	688,069
FL Orlando	Series 1998 A: 5.500% 05/01/10 5.800% 05/01/26	85,000 300,000	86,732 307,980
FL Seven Oaks Community Development District II	Series 2004 B, 5.000% 05/01/09	720,000	722,534
FL Stoneybrook Community Development District	Series 1998 A, 6.100% 05/01/19	215,000	215,976
FL West Villages Improvement District	Series 2006, 5.500% 05/01/37	500,000	508,660
FL Westchester Community Development District No. 1	Series 2003, 6.125% 05/01/35	275,000	294,173
FL Westridge Community Development District	Series 2005, 5.800% 05/01/37	1,000,000	1,033,800
GA Atlanta	Series 2005 B, 5.400% 01/01/20	500,000	520,685
IL Chicago	Pilsen Redevelopment, Series 2004 B, 6.750% 06/01/22	310,000	338,514

See Accompanying Notes to Financial Statements.

19

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

Tax-Backed (continued)

Special Property Tax (continued)

		Par (\$)	Va
IL Du Page County Special Service Area No. 31	Series 2006, 5.625% 03/01/36	250,000	
IL Lincolnshire Special Services Area No. 1	Series 2004, 6.250% 03/01/34	250,000	
IL Plano Special Service Area No. 4	Series 2005 5-B, 6.000% 03/01/35	1,500,000	1

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

IL Volo Village Special Service Area No. 3	Series 2006 1, 6.000% 03/01/36	485,000
IN Portage	Series 2006, 5.000% 01/15/27	260,000
MI Pontiac Tax Increment Finance Authority	Development Area No. 3, Series 2002, 6.375% 06/01/31	450,000
MI Taylor Tax Increment Finance Authority	Series 2001, Insured: FSA 5.375% 05/01/17	1,000,000
-----		15
Special Property Tax Total		
State Appropriated - 1.2% MI Building Authority	Series 2001 I, 5.000% 10/15/24	1,000,000
PR Commonwealth of Puerto Rico Public Finance Corp.	Series 2002 E, 6.000% 08/01/26	820,000
-----		2
State Appropriated Total		
State General Obligations - 0.3% CA State	Series 2003, 5.250% 02/01/23	380,000
-----		
State General Obligations Total		
Tax-Backed Total		48
Transportation - 13.1% Air Transportation - 4.4%		
CA Los Angeles Regional Airport	LAX Fuel Corp., Series 2001, AMT, Insured: AMBAC 5.250% 01/01/23	500,000
CO Denver City & County Airport	United Air Lines, Inc., Series 1992 A, 6.875% 10/01/32	645,000
FL Capital Trust Agency	Air Cargo-Orlando, Series 2003, AMT, 6.750% 01/01/32	350,000
IN Indianapolis Airport Authority	Series 2004, AMT, GTY AGMT: Federal Express Corp. 5.100% 01/15/17	500,000

See Accompanying Notes to Financial Statements.

20

Colonial Municipal Income Trust  
November 30, 2006

Transportation (continued)

Transportation (continued)

Par (\$)

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

### Air Transportation (continued)

NC Charlotte/Douglas International Airport	US Airways, Inc.: Series 1998, AMT, 5.600% 07/01/27 Series 2000, AMT, 7.750% 02/01/28	250,00 500,00
NJ Economic Development Authority	Continental Airlines, Inc., Series 2003, AMT, 9.000% 06/01/33	1,250,00
NY New York City Industrial Development Agency	Terminal One Group Association LP, Series 2005, AMT, 5.500% 01/01/21	500,00
NY New York City Industrial Development Authority	JFK International Airport, American Airlines, Inc., Series 2002 B, AMT, 8.500% 08/01/28	500,00
PA Philadelphia Authority for Industrial Development	Aero Philadelphia, Series 1999, AMT, 5.250% 01/01/09	220,00
TX Dallas-Fort Worth International Airport	American Airlines, Inc., Series 2000 A, AMT, 9.000% 05/01/29	750,00
TX Houston Industrial Development Corp.	United Parcel Service, Series 2002, AMT, 6.000% 03/01/23	510,00
-----		
Air Transportation Total		
Airports - 2.0%		
GA Augusta Airport	Series 2005 B, AMT, 5.350% 01/01/28	215,00
TX Dallas Fort Worth International Airport	Series 2004 B, AMT, Insured: FSA 5.000% 11/01/25	3,000,00
-----		
Airports Total		
Toll Facilities - 3.3%		
CA San Joaquin Hills Transportation Corridor Agency	Series 1997 A, Insured: MBIA (a) 01/15/15	3,000,00
CO E-470 Public Highway Authority	Series 2000 B, Insured: MBIA (a) 09/01/18	3,000,00
CO Northwest Parkway Public Highway Authority	Series 2001 D, 7.125% 06/15/41	1,000,00
PR Commonwealth of Puerto Rico Highway & Transportation Authority	Series 2003 AA, Insured: MBIA 5.500% 07/01/18	375,00
-----		
Toll Facilities Total		

See Accompanying Notes to Financial Statements.

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Colonial Municipal Income Trust  
November 30, 2006

### Municipal Bonds (continued)

	Par (\$)	Val
Transportation (continued)		
Transportation - 3.4%		
NV Department of Business & Industry	Las Vegas Monorail Co., Series 2000, 7.375% 01/01/40	750,000
NY Port Authority of New York & New Jersey	Series 2004, AMT, Insured: FSA 5.125% 07/15/30 (i)	4,450,000
	-----	-----
	Transportation Total	5,200,000
Transportation Total		21,000,000
Utilities - 14.6%		
Independent Power Producers - 2.1%		
NY Port Authority of New York & New Jersey	KIAC Partners, Series 1996 IV, AMT, 6.750% 10/01/11	2,000,000
NY Suffolk County Industrial Development Authority	Nissequogue Cogeneration Partners Facilities, Series 1998, AMT, 5.500% 01/01/23	550,000
OR Western Generation Agency	Series 2006 B, 5.000% 01/01/16	500,000
PA Carbon City Industrial Development Authority	Panther Creek Partners, Series 2000, AMT, 6.650% 05/01/10	115,000
PR Commonwealth of Puerto Rico Industrial, Tourist, Educational, Medical & Environmental Cogeneration Facilities	AES Project, Series 2000, AMT, 6.625% 06/01/26	320,000
	-----	-----
	Independent Power Producers Total	3,505,000
Investor Owned - 7.8%		
AZ Pima County Industrial Development Authority	Tucson Electric Power Co., Series 1997 A, AMT, 6.100% 09/01/25	750,000
CA Chula Vista Industrial Development Authority	San Diego Gas & Electric Co., Series 1996 B, AMT, 5.500% 12/01/21	475,000
FL Polk County Industrial Development Authority	Tampa Electric Co., Series 1996, AMT, 5.850% 12/01/30	800,000
IL Bryant	Central Illinois Light Co., Series 1993, 5.900% 08/01/23	1,000,000
IN Petersburg	Indianapolis Power & Light Co., Series 1995, 6.625% 12/01/24	750,000
LA Calcasieu Parish Industrial Development Board	Entergy Gulf States, Inc., Series 1999, 5.450% 07/01/10	500,000
LA West Feliciana Parish	Entergy Gulf States, Inc., Series 1999 B,	

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

6.600% 09/01/28

500,000

See Accompanying Notes to Financial Statements.

22

Colonial Municipal Income Trust  
November 30, 2006

Municipal Bonds (continued)

		Par (\$)
Utilities (continued)		
Investor Owned (continued)		
MS Business Finance Corp.	Systems Energy Resources, Series 1998, 5.875% 04/01/22	1,500,000
MT Forsyth	Northwestern Corp., Series 2006, Insured: AMBAC 4.650% 08/01/23	1,000,000
	Portland General, Series 1998 A, 5.200% 05/01/33	225,000
NH Business Finance Authority	Public Service Co., Series 2006 B, AMT, Insured: MBIA 4.750% 05/01/21	250,000
NV Clark County Industrial Development Authority	Nevada Power Co., Series 1997 A, AMT, 5.900% 11/01/32	1,500,000
OH Air Quality Development Authority	Cleveland Electric Illuminating Co., Series 2002 A, 6.000% 12/01/13	650,000
PA Economic Development Financing Authority	Reliant Energy, Inc., Series 2001 A, AMT, 6.750% 12/01/36	400,000
TX Brazos River Authority	TXU Energy Co., LLC: Series 2001 C, AMT, 5.750% 05/01/36	220,000
	Series 2003 C, AMT, 6.750% 10/01/38	555,000
VA Pittsylvania County Industrial Development Authority	Virginia Electric & Power Co., Series 1994 A, AMT, 7.450% 01/01/09	600,000
WY Campbell County	Black Hills Power, Inc., Series 2004, 5.350% 10/01/24	1,000,000
	-----	
	Investor Owned Total	
Joint Power Authority - 0.3%		
NC Eastern Municipal Power Agency	Series 2003 F, 5.500% 01/01/16	430,000
	-----	
	Joint Power Authority Total	

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Municipal Electric - 1.5%		
WA Seattle Light & Power	Series 2001, Insured: FSA 5.500% 03/01/17	2,250,000
	-----	-----
	Municipal Electric Total	
Water & Sewer - 2.9%		
MA Water Resources Authority	Series 1997 D, Insured: MBIA 5.000% 08/01/24	2,000,000
MS V Lakes Utility District	Series 1994, 8.250% 07/15/24 (e)	485,000
TX Houston Water & Sewer System	Series 1991 C, Insured: AMBAC (a) 12/01/12	3,000,000
	-----	-----
	Water & Sewer Total	
Utilities Total		
	Total Municipal Bonds (Cost of \$235,315,665)	

See Accompanying Notes to Financial Statements.

23

Colonial Municipal Income Trust  
November 30, 2006

Municipal Preferred Stocks - 2.0%

		Par (\$
Housing - 2.0%		
Multi-Family - 2.0%		
Charter Mac Equity Issuer Trust	AMT, 6.000% 04/30/19 (f)	1,000,
	Series 2000, AMT, 7.600% 11/30/10 (f)	500,
GMAC Municipal Mortgage Trust	AMT, 5.600% 10/31/39 (f)	500,
MuniMae Trust	AMT, 5.800% 06/30/49 (f)	1,000,
	-----	-----
	Multi-Family Total	
Housing Total		
	Total Municipal Preferred Stocks (Cost of \$3,000,000)	
		Shares
Investment Company - 0.0%		
	Dreyfus Tax-Exempt Cash Management Fund	6,
	-----	-----
	Total Investment Company (Cost of \$6,355)	
		Par (\$
Short-Term Obligations - 2.2%		

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Variable Rate Demand Notes(j) - 2.2%

FL Orange County School Board	Series 2000 B, Insured: AMBAC, SPA: Sun Trust Bank N.A. 3.570% 08/01/25	500,
	Series 2002 B, Insured: MBIA, SPA: SunTrust Bank N.A. 3.570% 08/01/27	300,
IL Health Facilities Authority	University of Chicago Hospital, Series 1994, Insured: MBIA, SPA: JPMorgan Chase Bank 3.570% 08/15/26	200,
MN Mankato	Bethany Lutheran College, Inc., Series 2000 B, LOC: Wells Fargo Bank N.A. 3.620% 11/01/15	100,
MO Health & Educational Facilities Authority	Bethesda Health Group, Inc., Series 2001 A, 3.620% 08/01/31	100,
NE Lancaster County Hospital Authority No. 1	Bryanlgh Medical Center, Series 2002, Insured: AMBAC 3.570% 06/01/18	200,
TN Blount County Public Building Authority	Local Government Public Improvement, Series 2006 D-7-B, SPA: Depfa Bank PLC 3.570% 06/01/31	100,
TX Harris County Health Facilities Development Corp.	Texas Medical Center, Series 2001, Insured: MBIA 3.570% 09/01/31	800,

See Accompanying Notes to Financial Statements.

24

Colonial Municipal Income Trust  
November 30, 2006

		Par (\$)
Short-Term Obligations (continued)		
Variable Rate Demand Notes (j) (continued)		
WI Health & Educational Facilities Authority	Gundersen Clinic Ltd., Series 2000 A, Insured: FSA, SPA: Dexia Credit Local 3.570% 12/01/15	100,000
	Gundersen Lutheran, Series 2000 B, Insured: FSA, SPA: Dexia Credit Local 3.570% 12/01/29	100,000
	ProHealth Care, Inc., Series 2001 B, Insured: AMBAC, SPA: JPMorgan Chase Bank 3.570% 08/15/30	100,000
WY Uinta County Pollution Control Revenue	Chevron Corp.: Series 1992, 2.380% 12/01/22 Series 1993,	100,000



Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

3.570% 08/15/20	1,000,000
-----	
Variable Rate Demand Notes Total	
-----	
Total Short-Term Obligations (Cost of \$3,700,000)	
-----	
Total Investments - 153.7%	
(Cost of \$242,022,020) (k)	
-----	
Auction Preferred Shares Plus Cumulative Unpaid Distributions - (54.2)%	
-----	
Other Assets & Liabilities, Net - 0.5%	
-----	
Net Assets - 100.0%	

Notes to Investment Portfolio:

- (a) Zero coupon bond.
- (b) Denotes a restricted security, which is subject to registration with the SEC or is required to be exempted from such registration prior to resale. At November 30, 2006, the value of this security represents 0.7% of net assets.

Security	Acquisition Date	Acquisition Cost
-----	-----	-----
CA Statewide Communities Development Authority, Crossroads School for Arts & Sciences, Series 1998, 6.00% 08/01/28	08/21/98	\$1,070,000

- (c) Security purchased on a delayed delivery basis.
- (d) Represents fair value as determined in good faith under procedures approved by the Board of Trustees.
- (e) The issuer is in default of certain debt covenants. Income is not being accrued. At November 30, 2006, the value of these securities amounted to \$526,311, which represents 0.3% of net assets.
- (f) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At November 30, 2006, these securities, which are not illiquid except for the following, amounted to \$6,612,417, which represents 4.0% of net assets.

Security	Acquisition Date	Par/Unit Cost	Value
-----	-----	-----	-----
Resolution Trust Corp., Pass-Through Certificates, Series			

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

1993 A, 8.500% 12/01/16

08/27/93 \$455,481 \$455,481 \$454,725

(g) The Trust has been informed that each issuer has placed direct obligations of the U.S. Government in an irrevocable trust, solely for the payment of principal and interest.

See Accompanying Notes to Financial Statements.

25

Colonial Municipal Income Trust  
November 30, 2006

- (h) Step bond. This security is currently not paying coupon. Shown parenthetically is the next interest rate to be paid and the date the Trust will begin accruing at this rate.
- (i) A portion of this security with a market value of \$4,775,206 is pledged as collateral for open futures contracts.
- (j) Variable rate demand notes. These securities are payable upon demand and are secured by letters of credit or other credit support agreements from banks. The interest rates change periodically and the interest rates shown reflect the rate as of November 30, 2006.
- (k) Cost for federal income tax purposes is \$241,875,819.

At November 30, 2006, the Trust held the following open short futures contracts:

Type	Number of Contracts	Value	Aggregate Face Value	Expiration Date	Unrealized Depreciation
10-Year U.S. Treasury Notes	129	\$14,024,300	\$14,085,188	Mar-2007	\$(60,888)

At November 30, 2006, the Trust held the following forward swap contract:

Notional Amount	Effective Date	Expiration Date	Counter-party	Receive (Pay)	Fixed Rate	Variable Rate	Unrealized Depreciation
\$9,000,000	02/03/07	02/03/27	JPMorgan Chase Bank	(Pay)	3.857%	BMA Index	\$(83,954)

At November 30, 2006, the composition of the Trust by revenue source is as follows:

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Holdings by Revenue Source (Unaudited)	% of Net Assets
Health Care	43.0%
Tax-Backed	29.2
Other	17.7
Housing	17.0
Utilities	14.6
Transportation	13.1
Industrial	8.4
Other Revenue	4.7
Resource Recovery	2.0
Education	1.8
	-----
	151.5
Investment Company	0.0*
Short-Term Obligations	2.2
Auction Preferred Shares Plus Cumulative Unpaid Distributions	(54.2)
Other Assets & Liabilities, Net	0.5
	-----
	100.0%
	=====

\* Rounds to less than 0.1%

Acronym	Name
AMBAC	Ambac Assurance Corp.
AMT	Alternative Minimum Tax
FGIC	Financial Guaranty Insurance Co.
FHA	Federal Housing Administration
FHLMC	Federal Home Loan Mortgage Corp.
FSA	Financial Security Assurance, Inc.
GNMA	Government National Mortgage Association
GTY AGMT	Guaranty Agreement
LOC	Letter of Credit
MBIA	MBIA Insurance Corp.
PSFG	Permanent School Fund Guarantee
SPA	Stand-by Purchase Agreement

See Accompanying Notes to Financial Statements.

26

Statement of Assets and Liabilities - Colonial Municipal Income Trust

November 30, 2006

Assets	Investments, at cost
	Investments, at value

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

	Cash
	Receivable for interest
	Deferred Trustees' compensation plan
	-----
	Total Assets
Liabilities	Net unrealized depreciation on swap contracts
	Payable for:
	Investments purchased on a delayed delivery basis
	Futures variation margin
	Distributions -- common shares
	Distributions -- preferred shares
	Investment advisory fee
	Pricing and bookkeeping fees
	Trustees' fees
	Custody fee
	Audit fee
	Reports to shareholders
	Preferred shares remarketing commissions
	Chief compliance officer expenses
	Deferred Trustees' fees
	Other liabilities
	-----
	Total Liabilities
	-----
Auction Preferred Shares	3,600 shares issued and outstanding at \$25,000 per share
	-----
Composition of Net Assets	Paid-in capital -- common shares
Applicable to Common Shares	Overdistributed net investment income
	Accumulated net realized loss
	Net unrealized appreciation (depreciation) on:
	Investments
	Swap contracts
	Futures contracts
	-----
	Net assets at value applicable to 27,767,614 common shares of beneficial interest outstanding
	-----
	Net asset value per common share

See Accompanying Notes to Financial Statements.

27

Statement of Operations - Colonial Municipal Income Trust

For the Year Ended November 30, 2006

Investment Income	Interest	( $\$$ )
		14,619,

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

	Dividends	4,
	-----	
	Total Investment Income	14,624,
Expenses	Investment advisory fee	1,639,
	Transfer agent fee	53,
	Pricing and bookkeeping fees	85,
	Trustees' fees	18,
	Preferred shares remarketing commissions	225,
	Custody fee	9,
	Chief compliance officer expenses	4,
	Other expenses	220,
	-----	
	Total Expenses	2,257,
	Custody earnings credit	(3,
	-----	
	Net Expenses	2,254,
	-----	
	Net Investment Income	12,369,
Net Realized and Unrealized Gain	Net realized gain (loss) on:	
(Loss) on Investments, Swap	Investments	(7,559,
Contracts and Futures Contracts	Futures contracts	488,
	-----	
	Net realized loss	(7,070,
	Net change in unrealized appreciation (depreciation) on:	
	Investments	13,492,
	Swap contracts	(83,
	Futures contracts	(61,
	-----	
	Net change in unrealized appreciation (depreciation)	13,347,
	-----	
	Net Gain	6,276,
	-----	
	Net Increase Resulting from Operations	18,646,
Less Distributions Declared to Preferred Shareholders	From net investment income	(3,050,
	-----	
	Net Increase Resulting from Operations Applicable to Common Shares	15,595,

See Accompanying Notes to Financial Statements.

28

Statement of Changes in Net Assets - Colonial Municipal Income Trust

Increase (Decrease) in Net Assets	Year Ended 2006 (\$)
-----------------------------------	-------------------------

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Operations	Net investment income	12,369,395
	Net realized gain (loss) on investments and futures contracts	(7,070,355)
	Net change in unrealized appreciation (depreciation) on investments, swap contracts and futures contracts	13,347,291
	-----	-----
	Net Increase Resulting from Operations	18,646,331
Less Distributions Declared to Preferred Shareholders	From net investment income	(3,050,923)
	-----	-----
	Increase Resulting from Operations Applicable to Common Shares	15,595,408
Less Distributions Declared to Common Shareholders	From net investment income	(9,603,287)
Share Transactions	Distributions reinvested	152,038
	-----	-----
	Net Increase in Net Assets Applicable to Common Shares	6,144,159
Net Assets Applicable to Common Shares	Beginning of period	159,792,207
	End of period (including undistributed (overdistributed) net investment income of \$(132,475) and \$173,993, respectively)	165,936,366
	-----	-----
Number of Trust Shares	Common Shares	
	Issued for distributions reinvested	25,960
	Outstanding at:	
	Beginning of period	27,741,654
	End of period	27,767,614
	-----	-----
	Preferred Shares	
	Outstanding at end of period	3,600
	-----	-----

See Accompanying Notes to Financial Statements.

29

Financial Highlights - Colonial Municipal Income Trust

Selected data for a share outstanding throughout each period is as follows (common shares unless otherwise noted):

	Year Ended November 30,			
	2006	2005	2004	2003
	-----	-----	-----	-----
-----				

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Net Asset Value, Beginning of Period	\$ 5.76	\$ 5.69	\$ 5.85	\$ 5.9
Income from Investment Operations:				
Net investment income (a)	0.45	0.45	0.45	0.45
Net realized and unrealized gain (loss) on investments, swap contracts and futures contracts	0.23	0.08	(0.15)	0.16
Total from Investment Operations	0.68	0.53	0.30	0.61
Less Common Share Equivalent of Distributions Declared to Preferred Shareholders:				
From net investment income	(0.11)	(0.08)	(0.04)	(0.04)
Total from Investment Operations Applicable to Common Shareholders	0.57	0.45	0.26	0.57
Less Distributions Declared to Common Shareholders:				
From net investment income	(0.35)	(0.38)	(0.42)	(0.42)
Net Asset Value, End of Period	\$ 5.98	\$ 5.76	\$ 5.69	\$ 5.9
Market price per share -- common shares	\$ 5.96	\$ 5.36	\$ 5.66	\$ 5.9
Total return -- based on market value -- common shares (b)	17.99%	1.36%	7.86%	7.86%
Ratios to Average Net Assets/Supplemental Data:				
Expenses (c) (d)	1.39%	1.40%	1.42%	1.42%
Net investment income before preferred stock dividend (c) (d)	7.62%	7.73%	7.79%	8.11%
Net investment income after preferred stock dividend (c) (d)	5.74%	6.46%	7.15%	7.69%
Portfolio turnover rate	33%	18%	16%	16%
Net assets, end of period (000's) -- common shares	\$165,936	\$159,792	\$157,757	\$161,936

(a) Per share data was calculated using the average shares outstanding during the period.

(b) Total return at market value assuming all distributions reinvested at prices calculated in accordance with the Dividend Reinvestment Plan.

(c) The benefits derived from custody credits had an impact of less than 0.01%.

(d) Ratios reflect average net assets available to common shares only.

See Accompanying Notes to Financial Statements.

30

Asset Coverage Requirements - Colonial Municipal Income Trust

Total Amount Outstanding	Asset Coverage Per Share*	Involuntary Liquidating Preference Per Share	Average Market Value Per Share
-----	-----	-----	-----

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

11/30/06	\$90,000,000	\$71,093	\$25,015	\$25,000
11/30/05	90,000,000	69,387	25,010	25,000
11/30/04	90,000,000	68,821	25,004	25,000
11/30/03	90,000,000	69,998	25,006	25,000
11/30/02	90,000,000	69,734	25,001	25,000
11/30/01	90,000,000	71,967	25,007	25,000
11/30/00	90,000,000	71,462	25,011	25,000
11/30/99 **	90,000,000	50,023	25,006	25,000

\* Calculated by subtracting the Trust's total liabilities from the Trust's total assets and dividing the amount by the number of Auction Preferred Shares outstanding.

\*\*On July 20, 1999, the Trust began offering Auction Preferred Shares.

31

### Notes to Financial Statements - Colonial Municipal Income Trust November 30, 2006

#### Note 1. Organization

Colonial Municipal Income Trust (the "Trust") is a Massachusetts business trust registered under the Investment Company Act of 1940 (the "Act"), as amended, as a closed-end management investments company and is operating as a diversified investment company.

#### Investment Goal

The Trust seeks to provide high current income, generally exempt from federal income taxes, by investing primarily in medium and lower quality bonds and notes issued by or on behalf of state and local government units whose interest is exempt from ordinary federal income tax, other than the possible incidence of any alternative minimum tax. The Trust's secondary goal is to seek total return.

#### Trust Shares

The Trust may issue an unlimited number of common shares. On July 20, 1999, the Trust issued 3,600 Auction Preferred Shares ("APS").

#### Note 2. Significant Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed by the Trust in the preparation of its financial statements.

#### Security Valuation

Debt securities generally are valued by pricing services approved by the Trust's Board of Trustees, based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available are valued at an over-the-counter or exchange bid



## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

quotation. Certain debt securities, which tend to be more thinly traded and of lesser quality, are priced based on fundamental analysis of the financial condition of the issuer and the estimated value of any collateral. Valuations developed through pricing techniques may vary from the actual amounts realized upon sale of the securities, and the potential variation may be greater for those securities valued using fundamental analysis.

Short-term debt obligations maturing within 60 days are valued at amortized cost, which approximates market value.

Investments in open-end investment companies are valued at net asset value.

Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded.

Investments for which market quotations are not readily available, or that have quotations which management believes are not reliable, are valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board of Trustees. If a security is valued at a "fair value", such value is likely to be different from the last quoted market price for the security.

In September 2006, Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("SFAS 157") was issued. SFAS 157 is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Management has recently begun to evaluate the impact the application of SFAS 157 will have on the Trust's financial statement disclosures.

### Security Transactions

Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

### Futures Contracts

The Trust may invest in futures contracts to hedge against the effects of changes in the value of portfolio securities due to anticipated changes in interest rates and/or market conditions, for duration management, or when the transactions are economically appropriate to the reduction of

32

Colonial Municipal Income Trust  
November 30, 2006

risk inherent in the management of the Trust and not for trading purposes. The use of futures contracts involves certain risks, which include: (1) imperfect correlation between the price movement of the instruments and the underlying securities, (2) inability to close out positions due to differing trading hours, or the temporary absence of a liquid market, for either the instrument or the underlying securities, or (3) an inaccurate prediction by Columbia Management Advisors, LLC of the future direction of interest rates. Any of these risks may involve amounts exceeding the variation margin recorded in the Trust's Statement of Assets and Liabilities at any given time.

Upon entering into a futures contract, the Trust deposits cash or securities with the broker in an amount sufficient to meet the initial margin requirement.

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Subsequent payments are made or received by the Trust equal to the daily change in the contract value and are recorded as variation margin receivable or payable and offset in unrealized gains or losses. The Trust recognizes a realized gain or loss when the contract is closed or expires.

### Swap Contracts

The Trust may engage in swap transactions such as interest rate and forward swaps, consistent with its investment objective and policies to obtain a desired return at a lower cost than if the Trust had invested directly in the asset that yielded the desired return. Swaps involve the exchange by a Trust with another party of their respective commitments to pay or receive interest or total return throughout the lives of the agreements. The interest to be paid or received on swaps is included in net realized gain/(loss) on investments. Unrealized gains are reported as an asset and unrealized losses are reported as a liability on the Statement of Assets and Liabilities. A realized gain or loss is recorded upon termination of swap agreements and is equal to the difference between the Trust's basis in the swap and the proceeds from (or cost of) the closing transaction. Swap agreements are stated at fair value. Notional principal amounts are used to express the extent of involvement in these transactions, but the amounts potentially subject to credit risk are much smaller.

If there is a default by the counterparty to a swap contract, the Trust will be limited to contractual remedies pursuant to the agreements related to the transaction. There is no assurance that the swap contract counterparties will be able to meet their obligations pursuant to the swap contracts or that, in the event of default, the Trust will succeed in pursuing contractual remedies. The Trust thus assumes the risk that it may be delayed in or prevented from obtaining payments owed to it pursuant to the swap contracts.

The use of derivative instruments involves, to varying degrees, elements of market risk in excess of the amount recognized in the Statement of Assets and Liabilities.

### Restricted Securities

Restricted securities are securities that may only be resold upon registration under federal securities laws or in transactions exempt from registration. In some cases, the issuer of restricted securities has agreed to register such securities for resale at the issuer's expense either upon demand by the Trust or in connection with another registered offering of the securities. Many restricted securities may be resold in the secondary market in transactions exempt from registration. Such restricted securities may be determined to be liquid under criteria established by the Board of Trustees. The Trust will not incur any registration costs upon such resale.

### Delayed Delivery Securities

The Trust may trade securities on other than normal settlement terms, including securities purchased or sold on a "when-issued" basis. This may increase the risk if the other party to the transaction fails to deliver and causes the Trust to subsequently invest at less advantageous prices. The Trust identifies cash or liquid portfolio securities as segregated with the custodian in an amount equal to the delayed delivery commitment.

### Income Recognition

Interest income is recorded on the accrual basis. Original issue discount is accreted to interest income over the life of the security with a corresponding increase in the cost basis. Premium and discount are amortized and accreted, respectively, on all debt securities. Corporate actions and dividend income are recorded on the ex-date.

### Federal Income Tax Status

The Trust intends to qualify each year as a "regulated investment company"

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

under Subchapter M of the Internal Revenue Code, as amended, and will distribute substantially all of its taxable income, if any, for its tax year, and as such

33

Colonial Municipal Income Trust  
November 30, 2006

will not be subject to federal income taxes. In addition, the Trust intends to distribute in each calendar year substantially all of its net investment income, capital gains and certain other amounts, if any, such that the Trust should not be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded.

### Distributions to Shareholders

Distributions to common shareholders are recorded on the ex-date. Distributions to Auction Preferred shareholders are recorded daily and payable at the end of each dividend period. Each dividend payment period for the APS is generally seven days. The applicable dividend rate for the APS on November 30, 2006 was 3.65%. For the year ended November 30, 2006, the Trust declared dividends to Auction Preferred shareholders amounting to \$3,050,923, representing an average dividend rate of 3.39% per APS.

### Indemnification

In the normal course of business, the Trust enters into contracts that contain a variety of representations and warranties and which provide general indemnities. The Trust's maximum exposure under these arrangements is unknown, as this would involve future claims against the Trust. Also, under the Trust's organizational documents and by contract, the Trustees and Officers of the Trust are indemnified against certain liabilities that may arise out of their duties to the Trust. However, based on experience, the Trust expects the risk of loss due to these warranties and indemnities to be minimal.

### Note 3. Federal Tax Information

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP. Reclassifications are made to the Trust's capital accounts for permanent tax differences to reflect income and gains available for distribution (or available capital loss carryforwards) under income tax regulations.

For the year ended November 30, 2006, permanent book and tax basis differences resulting primarily from differing treatments for discount accretion/premium amortization on debt securities and market discount reclassifications were identified and reclassified among the components of the Trust's net assets as follows:

Overdistributed Net Investment Income	Accumulated Net Realized Loss	Paid-In Capital
\$ (21,653)	\$21,654	\$ (1)

Net investment income and net realized gains (losses), as disclosed on the

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Statement of Operations, and net assets were not affected by this reclassification.

The tax character of distributions paid during the years ended November 30, 2006 and November 30, 2005 was as follows:

	November 30,	
	2006	2005
Distributions paid from:		
Tax-Exempt Income	\$12,639,297	\$12,655,805
Ordinary Income *	14,913	--
Long-Term Capital Gains	--	--

\*For tax purposes short-term capital gains distributions, if any, are considered ordinary income distributions.

As of November 30, 2006, the components of distributable earnings on a tax basis were as follows:

Undistributed Tax-Exempt Income	Undistributed Long-term Capital Gains	Undistributed Net Unrealized Appreciation*
\$950,066	\$ --	\$13,218,170

\*The differences between book-basis and tax-basis net unrealized appreciation/depreciation are primarily due to discount accretion/premium amortization on debt securities.

Unrealized appreciation and depreciation at November 30, 2006, based on cost of investments for federal income tax purposes, was:

Unrealized appreciation	\$17,307,199
Unrealized depreciation	(4,089,029)
Net unrealized appreciation	\$13,218,170

34

Colonial Municipal Income Trust  
November 30, 2006

The following capital loss carryforwards, determined as of November 30, 2006, may be available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

### Year of Expiration Capital Loss Carryforward

2007	\$ 3,490,821
2008	13,036,764
2009	3,114,307
2010	7,684,792
2011	4,393,912
2012	4,060,511
2014	7,119,782
Total	\$42,900,889

Under current tax rules, certain capital losses realized after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. As of November 30, 2006, post-October capital losses of \$442,091 attributed to security transactions were deferred to December 1, 2006.

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 (the "Interpretation"). This Interpretation is effective for fiscal years beginning after December 15, 2006 and is to be applied to open tax positions upon initial adoption. This Interpretation prescribes a minimum recognition threshold and measurement method for the financial statement recognition of tax positions taken or expected to be taken in a tax return and also requires certain expanded disclosures. Management has recently begun to evaluate the application of this Interpretation to the Trust and has not at this time quantified the impact, if any, resulting from the adoption of this Interpretation on the Trust's financial statements.

#### Note 4. Fees and Compensation Paid to Affiliates

##### Investment Advisory Fee

Columbia Management Advisors, LLC ("Columbia"), an indirect, wholly-owned subsidiary of Bank of America Corporation ("BOA"), is the investment advisor to the Trust and provides administrative and other services. Columbia receives a monthly investment advisory fee at the annual rate of 0.65% of the Trust's average weekly net assets, including assets applicable to the APS.

##### Pricing and Bookkeeping Fees

Columbia is responsible for providing pricing and bookkeeping services to the Trust under a pricing and bookkeeping agreement. Under a separate agreement (the "Outsourcing Agreement"), Columbia has delegated certain functions to State Street Bank & Trust Company ("State Street"). As a result, the total fees payable under the pricing and bookkeeping agreement (other than certain reimbursements paid to Columbia and discussed below) are paid to State Street.

Under its pricing and bookkeeping agreement with the Trust, Columbia receives an annual fee of \$38,000 paid monthly plus an additional monthly fee based on the level of average daily net assets for the month; provided that during any 12-month period, the aggregate fee (exclusive of out-of-pocket expenses and charges) shall not exceed \$140,000.

The Trust also reimburses Columbia and State Street for out-of-pocket expenses and charges, including fees payable to third parties for pricing the Trust's portfolio securities and direct internal costs incurred by Columbia in connection with providing fund accounting oversight and monitoring and certain other services. For the year ended November 30, 2006, the effective pricing and bookkeeping fee rate for the Trust, inclusive of out-of-pocket expenses, were 0.034% of the Trust's average daily net assets.

##### Custody Credits

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

The Trust has an agreement with its custodian bank under which custody fees may be reduced by balance credits. These credits are recorded as a reduction of total expenses on the Statement of Operations. The Trust could have invested a portion of the assets utilized in connection with the expense offset arrangement in an income-producing asset if it had not entered into such an agreement.

### Fees Paid to Officers and Trustees

All officers of the Trust, with the exception of the Trust's Chief Compliance Officer, are employees of Columbia or its affiliates and receive no compensation from the Trust. The Board of Trustees has appointed a Chief Compliance Officer to the Trust in accordance with federal securities regulations.

35

Colonial Municipal Income Trust  
November 30, 2006

The Trust, along with other affiliated funds, pays its pro-rata share of the expenses associated with the Chief Compliance Officer. The Trust's expenses for the Office of the Chief Compliance Officer will not exceed \$15,000 per year.

The Trust's Trustees may participate in a deferred compensation plan which may be terminated at any time. Obligations of the plan will be paid solely out of the Trust's assets.

### Other

Columbia provides certain services to the Trust related to Sarbanes-Oxley compliance. For the year ended November 30, 2006, the Trust paid \$2,536 to Columbia for such services. This amount is included in "Other expenses" on the Statement of Operations.

### Note 5. Portfolio Information

For the year ended November 30, 2006, the cost of purchases and proceeds from sales of securities, excluding short-term obligations, were \$87,908,159 and \$80,859,851, respectively.

### Note 6. Preferred Shares

The Trust currently has outstanding 3,600 APS. The APS have a liquidation preference of \$25,000 per APS plus accumulated but unpaid dividends and have certain class-specific preferences over the common shares. The dividend rate on the APS is set, typically every seven days, through an auction process. Dividends on the APS are cumulative. Each holder of the APS is entitled to one vote per APS. Unless otherwise required by law or under the terms of the bylaws, each holder of APS has the same voting rights as common shareholders and will vote together with common shareholders as a single class. The holders of APS, voting as a separate class, have the right to: (a) elect at least two Trustees, (b) elect a majority of the Trustees at any time when dividends on the APS are due and unpaid for two full years, and (c) vote on certain matters affecting the rights of the APS.

Under the Act, the Trust is required to maintain asset coverage of at least 200% with respect to the APS as of the last business day of each month in which any APS are outstanding. Additionally, the Trust is required to meet more stringent asset coverage requirements under the terms of the APS agreement and in accordance with the guidelines prescribed by the APS' rating agencies. Should these requirements not be met, or should dividends accrued on the APS

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

not be paid, the Trust may be restricted in its ability to declare dividends to common shareholders or may be required to redeem certain APS. At November 30, 2006, there were no such restrictions on the Trust.

### Note 7. Disclosure of Significant Risks and Contingencies

#### Concentration of Credit Risk

The Trust holds investments that are insured by private insurers who guarantee the payment of principal and interest in the event of default or that are supported by a letter of credit. Each of the Trust's insurers is rated Aaa by Moody's Investor Services, Inc. ("Moody's") or rated AAA by Standard & Poor's. At November 30, 2006, investments supported by private insurers that represent greater than 5% of the total investments of the Trust were as follows:

Insurer	% of Total Investments
MBIA Insurance Corp.	7.8%
Ambac Assurance Corp.	6.3
Financial Security Assurance, Inc	5.7

#### Geographic Concentration

The Trust has greater than 5% of its total investments at November 30, 2006 invested in debt obligations issued by the states of California, Illinois, Massachusetts, New York, Pennsylvania and Texas and their respective political subdivisions, agencies and public authorities. The Trust is more susceptible to economic and political factors adversely affecting issuers of the specific state's municipal securities than are municipal bond funds that are not concentrated to the same extent in these issuers.

#### High-Yield Securities

Investing in high-yield securities may involve greater credit risk and considerations not typically associated with investing in U.S. government bonds and other higher quality fixed income securities. These securities are non-investment grade securities, often referred to as "junk" bonds. Economic downturns may disrupt the high yield market and impair the ability of issuers to repay principal and interest. Also, an increase in interest rates would likely have an adverse impact

36

Colonial Municipal Income Trust  
November 30, 2006

on the value of such obligations. Moreover, high-yield securities may be less liquid to the extent that there is no established secondary market.

#### Legal Proceedings

On February 9, 2005, Columbia Management Advisors, Inc. (which has since merged into Banc of America Capital Management, LLC (now named Columbia Management Advisors, LLC)) ("Columbia") and Columbia Funds Distributor, Inc. (which has been renamed Columbia Management Distributors, Inc.) (the "Distributor") (collectively, the "Columbia Group") entered into an Assurance of Discontinuance with the New York Attorney General ("NYAG") (the "NYAG Settlement") and consented to the entry of a cease-and-desist order by the

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Securities and Exchange Commission ("SEC") (the "SEC Order"). The SEC Order and the NYAG Settlement are referred to collectively as the "Settlements". The Settlements contain substantially the same terms and conditions as outlined in the agreements in principle which Columbia Group entered into with the SEC and NYAG in March 2004.

Under the terms of the SEC Order, the Columbia Group agreed, among other things, to: pay \$70 million in disgorgement and \$70 million in civil money penalties; cease and desist from violations of the antifraud provisions and certain other provisions of the federal securities laws; maintain certain compliance and ethics oversight structures; retain an independent consultant to review the Columbia Group's applicable supervisory, compliance, control and other policies and procedures; and retain an independent distribution consultant (see below). The Columbia Funds have also voluntarily undertaken to implement certain governance measures designed to maintain the independence of their boards of trustees. The NYAG Settlement also, among other things, requires Columbia and its affiliates to reduce management fees for certain Columbia Funds (including the former Nations Funds) and other mutual funds collectively by \$32 million per year for five years, for a projected total of \$160 million in management fee reductions.

Pursuant to the procedures set forth in the SEC order, the \$140 million in settlement amounts described above will be distributed in accordance with a distribution plan developed by an independent distribution consultant and approved by the SEC. The independent distribution consultant has been in consultation with the staff of the SEC and has submitted a proposed plan of distribution. The SEC has released the proposed plan of distribution for public notice and comment but has not yet approved a final plan of distribution.

As a result of these matters or any adverse publicity or other developments resulting from them, the market price of trust shares could decline.

A copy of the SEC Order is available on the SEC website at <http://www.sec.gov>. A copy of the NYAG Settlement is available as part of the Bank of America Corporation Form 8-K filing on February 10, 2005.

In connection with the events described in detail above, various parties have filed suit against certain funds, the Trustees of the Columbia Funds, FleetBoston Financial Corporation and its affiliated entities and/or Bank of America and its affiliated entities.

On February 20, 2004, the Judicial Panel on Multidistrict Litigation transferred these cases and cases against other mutual fund companies based on similar allegations to the United States District Court in Maryland for consolidated or coordinated pretrial proceedings (the "MDL"). Subsequently, additional related cases were transferred to the MDL. On September 29, 2004, the plaintiffs in the MDL filed amended and consolidated complaints. One of these amended complaints is a putative class action that includes claims under the federal securities laws and state common law, and that names Columbia, the Distributor, the Trustees of the Columbia Funds, Bank of America Corporation and others as defendants. Another of the amended complaints is a derivative action purportedly on behalf of the Columbia Funds that asserts claims under federal securities laws and state common law.

On February 25, 2005, Columbia and other defendants filed motions to dismiss the claims in the pending cases. On March 1, 2006, for reasons stated in the court's memoranda dated November 3, 2005, the U.S. District Court for the District of Maryland granted in part and denied in part the defendants' motions to dismiss. The court dismissed all of the class action claims pending against the Columbia Funds Trusts. As to Columbia and the Distributor, the claims under the Securities Act of 1933, the claims under Sections 34(b) and 36(a) of the Investment Company Act of 1940 ("ICA") and the state law claims were dismissed.



## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

The claims under

37

Colonial Municipal Income Trust  
November 30, 2006

Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and claims under Section 36(b) of the ICA were not dismissed.

On March 21, 2005, a purported class action was filed in Massachusetts state court alleging that the conduct, including market timing, entitles Class B shareholders in certain Columbia funds to an exemption from contingent deferred sales charges upon early redemption ("the CDSC Lawsuit"). The CDSC Lawsuit has been removed to federal court in Massachusetts and the federal Judicial Panel has transferred the CDSC Lawsuit to the MDL.

On April 4, 2006, the plaintiffs and the Columbia defendants named in the MDL, including the Columbia Funds, entered into a term sheet containing the principal terms of a stipulation of settlement that would settle all Columbia-related claims in the MDL described above, including the CDSC Lawsuit. On April 6, 2006, the U.S. District Court for the District of Maryland stayed all actions with respect to these Columbia-related claims.

In 2004, certain Columbia funds, the Trustees of the Columbia Funds, advisers and affiliated entities were named as defendants in certain purported shareholder class and derivative actions making claims, including claims under the Investment Company and the Investment Advisers Acts of 1940 and state law. The suits allege, inter alia, that the fees and expenses paid by the funds are excessive and that the advisers and their affiliates inappropriately used fund assets to distribute the funds and for other improper purposes. On March 2, 2005, the actions were consolidated in the Massachusetts federal court as In re Columbia Entities Litigation. The plaintiffs filed a consolidated amended complaint on June 9, 2005 naming the Columbia Funds as nominal defendants. On November 30, 2005, the judge dismissed all claims by plaintiffs and ordered that the case be closed. The plaintiffs filed a notice of appeal to the United States Court of Appeals for the First Circuit on December 30, 2005; this appeal is currently pending. The parties have advised the appellate court that they are engaged in settlement discussions and the court has, accordingly, deferred the briefing schedule for the appeal. The settlement has not yet been finalized. Any settlement ultimately agreed by the parties will be subject to court approval.

This matter is ongoing. Accordingly, no estimate can be made of the financial impact, if any, of this litigation on any fund.

38

Report of Independent Registered Public Accounting Firm

To the Trustees and the Shareholders of Colonial Municipal Income Trust  
In our opinion, the accompanying statement of assets and liabilities, including the investment portfolio, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

material respects, the financial position of Colonial Municipal Income Trust (the "Trust") at November 30, 2006, and the results of its operations, the changes in its net assets, and its financial highlights for the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at November 30, 2006 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
Boston, Massachusetts  
January 25, 2007

39

### Unaudited Information - Colonial Municipal Income Trust

#### Federal Income Tax Information

99.87% of distributions from net investment income will be treated as exempt income for federal income tax purposes.

For the calendar year ended December 31, 2006, 23.04% of distributions from net investment income is subject to the alternative minimum tax.

40

### Dividend Reinvestment Plan

#### Colonial Municipal Income Trust

Shareholders may elect to have all distributions of dividends and capital gains automatically reinvested by Computershare (the "Plan Agent"), as agent under the Trust's Dividend Reinvestment and Cash Purchase Plan (the "Plan"). Pursuant to the Plan, the provisions of which are described below, shareholders not making such an election will receive all such amounts in cash paid by check mailed directly to the shareholder by the Plan Agent, as the dividend paying agent.

If the Trustees of the Trust declare a dividend or determine to make a capital gain distribution payable either in shares of the Trust or in cash, as shareholders may have elected, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in shares of the Trust. If the market price of the shares on the payment date for the dividend or distribution is equal to or exceeds their net asset value, participants will be issued shares of the Trust at the higher of net asset value or 95% of the

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

market price. If the net asset value exceeds the market price of Trust shares at such time, or if the Trust declares a dividend or other distribution payable only in cash, the Plan Agent will, as agent for Plan participants, buy Trust shares in the open market, on the New York Stock Exchange or elsewhere, for the participants' accounts. If, before the Plan Agent has completed its purchases, the market price exceeds the net asset value of the Trust's shares, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the Trust's shares, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Trust.

Participants in the Plan may withdraw from the Plan upon written notice to the Plan Agent. When a participant withdraws from the Plan or upon termination of the Plan as provided below, certificates for whole shares credited to the participant's account under the Plan will be issued and a cash payment will be made for any fraction of a share credited to such account.

Participants in the Plan have the option of making additional cash payments to the Plan Agent semi-annually, for investment in the Trust's shares. Such payments may be made in any amount from \$100 to \$500. State Street will use all funds received from participants (as well as any dividends and distributions received in cash) to purchase Trust shares in the open market semiannually. Interest will not be paid on any uninvested cash payments.

In the case of shareholders such as banks, brokers or nominees holding shares for others who are the beneficial owners of those shares, the Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by the shareholder of record as representing the total amount registered in such shareholder's name and held for the account of beneficial owners who are to participate in the Plan.

There is no charge to Plan participants for reinvesting dividends or distributions. The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by the Trust. There will be no brokerage charges with respect to shares issued directly by the Trust as a result of dividends or distributions payable either in stock or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends or distributions as well as from voluntary cash payments. Brokerage charges for purchasing small amounts of stock for individual accounts under the voluntary cash purchase provisions of the Plan are expected to be less than the usual brokerage charges for individual transactions of comparable size, because the Plan Agent will be purchasing shares for all participants in blocks and charging to cash purchase Plan participants a pro rated portion of the lower commissions usually obtainable on such block purchases.

The automatic reinvestment of dividends and distributions will not relieve participants of any income tax that may be payable on such dividends or distributions.

The Plan may be amended or terminated on 30 days written notice to the Plan participants. Contact the Plan Agent for more information regarding the Plan. All correspondence concerning the Plan should be directed to Computershare by mail at P.O. Box 403011, Providence, RI 02940-3011, or by phone at 1-800-426-5523.

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

The Trustees serve terms of indefinite duration. The names, addresses and ages of the Trustees and officers of the Funds in the Columbia Funds Complex, the year each was first elected or appointed to office, their principal business occupations during at least the last five years, the number of portfolios overseen by each Trustee and other directorships they hold are shown below. Each officer listed below serves as an officer of each Fund in the Columbia Funds Complex.

### Independent Trustees

Name, address and year of birth, position with Funds, Year first elected or appointed to office/(1)/	Principal occupation(s) during past five years, Number of portfolios in Columbia Funds Complex overseen by trustee, Other directorships held
--	--

Douglas A. Hacker (Born 1955)

c/o Columbia Management  
Advisors, LLC  
One Financial Center  
Boston, MA 02111  
Trustee (since 1996)

Independent business executive since May, 2006; Executive Vice President-Strategy of United Airlines (airline) from December, 2002 to May, 2006; President of UAL Loyalty Services (airline marketing company) from September, 2001 to December, 2002; Executive Vice President and Chief Financial Officer of United Airlines from July, 1999 to September, 2001. Oversees 81, Nash Finch Company (food distributor); Aircastle Limited (aircraft leasing)

Janet Langford Kelly (Born 1957)

c/o Columbia Management  
Advisors, LLC  
One Financial Center  
Boston, MA 02111  
Trustee (since 1996)

Deputy General Counsel-Corporate Legal Services, ConocoPhillips (integrated petroleum company) since August, 2006; Partner, Zelle, Hofmann, Voelbel, Mason & Gette LLP (law firm) from March, 2005 to July, 2006; Adjunct Professor of Law, Northwestern University, from September, 2004 to June, 2006, Director, UAL Corporation (airline) from February, 2006 to July, 2006; Chief Administrative Officer and Senior Vice President, Kmart Holding Corporation (consumer goods), from September, 2003 to March, 2004; Executive Vice President-Corporate Development and Administration, General Counsel and Secretary, Kellogg Company (food manufacturer), from September, 1999 to August, 2003. Oversees 81, None

Richard W. Lowry (Born 1936)

c/o Columbia Management  
Advisors, LLC  
One Financial Center  
Boston, MA 02111  
Trustee (since 1995)

Private Investor since August, 1987 (formerly Chairman and Chief Executive Officer, U.S. Plywood Corporation (building products manufacturer) until 1987). Oversees 81, None

Charles R. Nelson (Born 1943)

c/o Columbia Management  
Advisors, LLC  
One Financial Center  
Boston, MA 02111

Professor of Economics, University of Washington, since January, 1976; Ford and Louisa Van Voorhis Professor of Political Economy, University of Washington, since September, 1993; Director, Institute

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Trustee (since 1981)	for Economic Research, University of Washington from September, 2001 to June, 2003; Adjunct Professor of Statistics, University of Washington, since September, 1980; Associate Editor, Journal of Money Credit and Banking, since September, 1993; Consultant on econometric and statistical matters. Oversees 81, None
----------------------	--

John J. Neuhauser (Born 1942)

c/o Columbia Management Advisors, LLC One Financial Center Boston, MA 02111 Trustee (since 1985)	University Professor, Boston College since November, 2005; Academic Vice President and Dean of Faculties, Boston College from August, 1999 to October, 2005. Oversees 81, None
--	--

42

### Fund Governance (continued) - Colonial Municipal Income Trust

Name, address and year of birth, Position with Funds, year first elected or Appointed to office/(1)/	Principal occupation(s) during past five Years, Number of portfolios in Columbia Funds Complex overseen by trustee, Other directorships held
--	--

Patrick J. Simpson (Born 1944)

c/o Columbia Management Advisors, LLC One Financial Center Boston, MA 02111 Trustee (since 2000)	Partner, Perkins Coie LLP (law firm). Oversees 81, None
--	---

Thomas E. Stitzel (Born 1936)

c/o Columbia Management Advisors, LLC One Financial Center Boston, MA 02111 Trustee (since 1998)	Business Consultant since 1999; Chartered Financial Analyst. Oversees 81, None
--	--

Thomas C. Theobald (Born 1937)

c/o Columbia Management Advisors, LLC One Financial Center Boston, MA 02111 Trustee and Chairman of the Board/(2)/ (since 1996)	Partner and Senior Advisor, Chicago Growth Partners (private equity investing) since September, 2004; Managing Director, William Blair Capital Partners (private equity investing) from September, 1994 to September, 2004. Oversees 81, Anixter International (network support equipment distributor); Ventas, Inc. (real estate investment trust); Jones Lang LaSalle (real estate management services); Ambac Financial Group (financial guaranty insurance)
---	---

Anne-Lee Verville (Born 1945)

c/o Columbia Management	Retired since 1997 (formerly General Manager, Global
-------------------------	--

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Advisors, LLC  
 One Financial Center  
 Boston, MA 02111  
 Trustee (since 1998)

Education Industry, IBM Corporation (computer and technology) from 1994 to 1997). Oversees 81, None

Interested Trustee  
 -----

William E. Mayer (Born 1940)  
 -----

c/o Columbia Management Advisors, LLC One Financial Center Boston, MA 02111 Trustee/(3)/ (since 1994)	Partner, Park Avenue Equity Partners (private equity) since February, 1999; Dean and Professor, College of Business, University of Maryland, 1992 to 1997. Oversees 81, Lee Enterprises (print media), WR Hambrecht + Co. (financial service provider); Reader's Digest (publishing)
---	--

/(1)/In December 2000, the boards of each of the former Liberty Funds and former Stein Roe Funds were combined into one board of trustees responsible for the oversight of both fund groups (collectively, the "Liberty Board"). In October 2003, the trustees on the Liberty Board were elected to the boards of the Columbia Funds (the "Columbia Board") and of the CMG Fund Trust (the "CMG Funds Board"); simultaneous with that election, Patrick J. Simpson who had been a director on the Columbia Board and trustee on the CMG Funds Board, was appointed to serve as trustee of the Liberty Board. The date shown is the earliest date on which a trustee/director was elected or appointed to the board of a Fund in the Columbia Funds Complex.

/(2)/Mr. Theobald was appointed as Chairman of the Board effective December 10, 2003.

/(3)/Mr. Mayer is an "interested person" (as defined in the Investment Company Act of 1940 (1940 Act)) by reason of his affiliation with WR Hambrecht + Co.

The Statement of Additional Information includes additional information about the Trustees of the Funds and is available, without charge, upon request by calling 800-426-3750.

43

Fund Governance (continued) - Colonial Municipal Income Trust

Officers  
 -----

Name, address and year of birth, Position with Columbia Funds, Year first elected or appointed to office	Principal occupation(s) during past five years
--	--

Christopher L. Wilson (Born 1957)  
 -----

One Financial Center Boston,	Head of Mutual Funds since August, 2004 and Managing
------------------------------	--

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

MA 02111  
President (since 2004)

Director of Columbia Management Advisors, LLC ("the Advisor") since September, 2005; President and Chief Executive Officer, CDC IXIS Asset Management Services, Inc. (investment management) from September, 1998 to August, 2004.

James R. Bordewick, Jr.  
(Born 1959)

One Financial Center  
Boston, MA 02111  
Senior Vice President, Secretary  
and Chief Legal Officer (since 2006)

Associate General Counsel, Bank of America since April, 2005; Senior Vice President and Associate General Counsel, MFS Investment Management (investment management) prior to April, 2005.

J. Kevin Connaughton (Born 1964)

One Financial Center  
Boston, MA 02111  
Senior Vice President, Chief  
Financial Officer and Treasurer  
(since 2000)

Managing Director of the Advisor since February, 1998.

Linda J. Wondrack (Born 1964)

One Financial Center  
Boston, MA 02111  
Senior Vice President, Chief  
Compliance Officer (since 2007)

Director (Columbia Management Group LLC and Investment Product Group Compliance), Bank of America since June 2005; Director of Corporate Compliance and Conflicts Officer, MFS Investment Management (investment management), August 2004 to May 2005; Managing Director, Deutsche Asset Management (investment management) prior to August 2004.

Michael G. Clarke (Born 1969)

One Financial Center  
Boston, MA 02111  
Chief Accounting Officer and  
Assistant Treasurer (since 2004)

Director of Fund Administration of the Advisor since January, 2006; Managing Director of the Advisor September, 2004 to December, 2005; Vice President Fund Administration of the Advisor June, 2002 to September, 2004. Vice President Product Strategy and Development of the Advisor from February, 2001 to June, 2002.

Jeffrey R. Coleman (Born 1969)

One Financial Center  
Boston, MA 02111  
Deputy Treasurer (since 2006)

Director of Fund Administration of the Advisor since January, 2006; Fund Controller of the Advisor from October 2004 to January 2006; Vice President of CDC IXIS Asset Management Services, Inc. (investment management) from August, 2000 to September, 2004.

Joseph F. DiMaria (Born 1968)

One Financial Center  
Boston, MA 02111  
Deputy Treasurer (since 2006)

Director of Fund Administration of the Advisor since January, 2006; Head of Tax/Compliance and Assistant Treasurer of the Advisor from November, 2004 to December, 2005; Director of Trustee Administration (Sarbanes-Oxley) of the Advisor from May, 2003 to October, 2004; Senior Audit Manager, PricewaterhouseCoopers (independent registered public accounting firm) from July, 2000 to April, 2003.

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Fund Governance (continued) - Colonial Municipal Income Trust

Name, address and year of birth, Position with Columbia Funds, Year first elected or appointed to office Principal occupation(s) during past five years

Ty S. Edwards (Born 1966)

One Financial Center  
Boston, MA 02111  
Deputy Treasurer (since 2006)

Director of Fund Administration of the Advisor since January, 2006; Vice President of the Advisor from July, 2002 to December, 2005; Assistant Vice president and Director, State Street Corporation (financial services) prior to 2002.

Barry S. Vallan (Born 1969)

One Financial Center  
Boston, MA 02111  
Controller (since 2006)

Vice President-Fund Treasury of the Advisor since October, 2004; Vice President- Trustee Reporting of the Advisor from April, 2002 to October, 2004; Management Consultant, PricewaterhouseCoopers (independent registered public accounting firm) prior to October, 2002.

45

### Board Consideration and Approval of Investment Advisory Agreements

The Advisory Fees and Expenses Committee of the Board of Trustees meets one or more times annually to review the advisory agreements (collectively, the "Agreements") of the funds for which the Trustees serve as trustees (each a "fund") and determine whether to recommend that the full Board approve the continuation of the Agreements for an additional one-year period. After the Committee has made its recommendation, the full Board, including the Independent Trustees, determines whether to approve the continuation of the Agreements. In addition, the Board, including the Independent Trustees, considers matters bearing on the Agreements at most of its other meetings throughout the year and meets regularly with the heads of each investment area within Columbia. Through the Board's Investment Oversight Committees, Trustees also meet with selected fund portfolio managers at various times throughout the year.

The Trustees receive and review all materials that they, their legal counsel or Columbia, the funds' investment adviser, believe to be reasonably necessary for the Trustees to evaluate the Agreements and determine whether to approve the continuation of the Agreements. Those materials generally include, among other items, (i) information on the investment performance of each fund relative to the performance of peer groups of mutual funds and the fund's performance benchmarks, (ii) information on each fund's advisory fees and other expenses, including information comparing the fund's expenses to those of peer groups of mutual funds and information about any applicable expense caps and fee



## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

"breakpoints," (iii) information about the profitability of the Agreements to Columbia, including potential "fall-out" or ancillary benefits that Columbia and its affiliates may receive as a result of their relationships with the funds and (iv) information obtained through Columbia's response to a questionnaire prepared at the request of the Trustees by counsel to the funds and independent legal counsel to the Independent Trustees. The Trustees also consider other information such as (v) Columbia's financial results and financial condition, (vi) each fund's investment objective and strategies and the size, education and experience of Columbia's investment staffs and their use of technology, external research and trading cost measurement tools, (vii) the allocation of the funds' brokerage, if any, and the use of "soft" commission dollars to pay for research products and services, (viii) Columbia's resources devoted to, and its record of compliance with, the funds' investment policies and restrictions, policies on personal securities transactions and other compliance policies, (ix) Columbia's response to various legal and regulatory proceedings since 2003 and (x) the economic outlook generally and for the mutual fund industry in particular. In addition, the Advisory Fees and Expenses Committee confers with the funds' independent fee consultant and reviews materials relating to the funds' relationships with Columbia provided by the independent fee consultant. Throughout the process, the Trustees have the opportunity to ask questions of and request additional materials from Columbia and to consult with independent legal counsel to the Independent Trustees and the independent fee consultant.

The Board of Trustees most recently approved the continuation of the Agreements at its October, 2006 meeting, following meetings of the Advisory Fees and Expenses Committee held in August, September and October, 2006. In considering whether to approve the continuation of the Agreements, the Trustees, including the Independent Trustees, did not identify any single factor as determinative, and each weighed various factors as he or she deemed appropriate. The Trustees considered the following matters in connection with their approval of the continuation of the Agreements:

The nature, extent and quality of the services provided to the funds under the Agreements. The Trustees considered the nature, extent and quality of the services provided by Columbia and its affiliates to the funds and the resources dedicated to the funds by Columbia and its affiliates. Among other things, the Trustees considered (i) Columbia's ability (including its personnel and other resources, compensation programs for personnel involved in fund management, reputation and other attributes) to attract and retain highly qualified research, advisory and supervisory investment professionals; (ii) the portfolio management services provided by those investment professionals; and (iii) the trade execution services provided on behalf of the funds. For each fund, the Trustees also considered the benefits to shareholders of investing in a mutual fund that is part of a family of funds offering exposure to a variety of asset classes and investment disciplines and providing a variety of fund and shareholder services. After reviewing those and related factors, the Trustees concluded, within the context of their overall conclusions regarding each of the Agreements, that the nature, extent and quality of services provided supported the continuation of the Agreements.

46

Investment performance of the funds and Columbia. The Trustees reviewed information about the performance of each fund over various time periods, including information prepared by an independent third party that compared the

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

performance of each fund to the performance of peer groups of mutual funds and performance benchmarks. The Trustees also reviewed a description of the third party's methodology for identifying each fund's peer group for purposes of performance and expense comparisons. The Trustees also considered additional information that the Advisory Fees and Expenses Committee requested from Columbia relating to funds that presented relatively weaker performance and/or relatively higher expenses.

In the case of each fund whose performance lagged that of a relevant peer group for certain (although not necessarily all) periods, the Trustees concluded that other factors relevant to performance were sufficient, in light of other considerations, to warrant continuation of the fund's Agreements. Those factors varied from fund to fund, but included one or more of the following: (i) that the fund's performance, although lagging in certain recent periods, was stronger over the longer term; (ii) that the underperformance was attributable, to a significant extent, to investment decisions that were reasonable and consistent with the fund's investment strategy and policies and that the fund was performing as expected, given these investment decisions, market conditions and the fund's investment strategy; (iii) that the fund's performance was competitive when compared to other relevant performance benchmarks or peer groups; (iv) that Columbia had taken or was taking steps designed to help improve the fund's investment performance, including, but not limited to, replacing portfolio managers or modifying investment strategies; and (v) that the fund was proposed to be reorganized into another fund, and that such reorganization would result in a reduction in fund expenses.

The Trustees also considered Columbia's performance and reputation generally, the funds' performance as a fund family generally, and Columbia's historical responsiveness to Trustee concerns about performance and Columbia's willingness to take steps intended to improve performance.

After reviewing those and related factors, the Trustees concluded, within the context of their overall conclusions regarding each of the Agreements, that the performance of each fund and Columbia was sufficient, in light of other considerations, to warrant the continuation of the Agreement(s) pertaining to that fund.

The costs of the services provided and profits realized by Columbia and its affiliates from their relationships with the funds. The Trustees considered the fees charged to the funds for advisory services as well as the total expense levels of the funds. That information included comparisons (provided by management and by an independent third party) of each fund's advisory fees and total expense levels to those of the fund's peer groups and information about the advisory fees charged by Columbia to comparable institutional accounts. In considering the fees charged to those accounts, the Trustees took into account, among other things, management's representations about the differences between managing mutual funds as compared to other types of accounts, including differences in the services provided, differences in the risk profile of such business for Columbia, and the additional resources required to manage mutual funds effectively. In evaluating each fund's advisory fees, the Trustees also took into account the demands, complexity and quality of the investment management of the fund. The Trustees considered existing advisory fee breakpoints, and Columbia's use of advisory fee waivers and expense caps, which benefited a number of the funds. The Trustees also noted management's stated justification for the fees charged to the funds, which included information about the investment performance of the funds and the services provided to the funds.

The Trustees also considered the compensation directly or indirectly received by Columbia and its affiliates from their relationships with the funds. The Trustees reviewed information provided by management as to the profitability to Columbia and its affiliates of their relationships with each fund, and

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

information about the allocation of expenses used to calculate profitability. When reviewing profitability, the Trustees also considered court cases in which adviser profitability was an issue in whole or in part, the performance of the relevant funds, the expense level of each fund, and whether Columbia had implemented breakpoints and/or expense caps with respect to the fund.

After reviewing those and related factors, the Trustees concluded, within the context of their overall conclusions regarding each of the Agreements, that the advisory fees charged to each fund, and the related profitability to Columbia

47

and its affiliates of their relationships with the fund, supported the continuation of the Agreement(s) pertaining to that fund.

Economies of Scale. The Trustees considered the existence of any economies of scale in the provision by Columbia of services to each fund, to groups of related funds, and to Columbia's investment advisory clients as a whole and whether those economies were shared with the funds through breakpoints in the investment advisory fees or other means, such as expense waivers/reductions and additional investments by Columbia in investment, trading and compliance resources. The Trustees noted that many of the funds benefited from breakpoints, expense caps, or both. In considering those issues, the Trustees also took note of the costs of the services provided (both on an absolute and a relative basis) and the profitability to Columbia and its affiliates of their relationships with the funds, as discussed above.

After reviewing those and related factors, the Trustees concluded, within the context of their overall conclusions regarding each of the Agreements, that the extent to which economies of scale were shared with the funds supported the continuation of the Agreements.

Other Factors. The Trustees also considered other factors, which included but were not limited to the following:

- .. the extent to which each fund had operated in accordance with its investment objective and investment restrictions, the nature and scope of the compliance programs of the funds and Columbia and the compliance-related resources that Columbia and its affiliates were providing to the funds;
- .. the nature, quality, cost and extent of administrative and shareholder services performed by Columbia and its affiliates, both under the Agreements and under separate agreements for the provision of transfer agency and administrative services;
- .. so-called "fall-out benefits" to Columbia and its affiliates, such as the engagement of its affiliates to provide distribution, brokerage and transfer agency services to the funds, and the benefits of research made available to Columbia by reason of brokerage commissions generated by the funds' securities transactions, as well as possible conflicts of interest associated with those fall-out and other benefits, and the reporting, disclosure and other processes in place to disclose and monitor those possible conflicts of interest; and
- .. the draft report provided by the funds' independent fee consultant, which included information about and analysis of the funds' fees, expenses and performance.

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Based on their evaluation of all factors that they deemed to be material, including those factors described above, and assisted by the advice of independent counsel and the independent fee consultant, the Trustees, including the Independent Trustees, approved the continuance of each of the Agreements through October 31, 2007.

48

### Summary of Management Fee Evaluation by Independent Fee Consultant

#### INDEPENDENT FEE CONSULTANT'S EVALUATION OF THE PROCESS BY WHICH MANAGEMENT FEES ARE NEGOTIATED FOR THE COLUMBIA MUTUAL FUNDS OVERSEEN BY THE COLUMBIA ATLANTIC BOARD

Prepared Pursuant to the February 9, 2005 Assurance of Discontinuance between the Office of Attorney General of New York State and Columbia Management Advisors, Inc. and Columbia Funds Distributor, Inc. October 11, 2006

#### I. Overview

Columbia Management Advisors, LLC ("CMA") and Columbia Funds Distributors, Inc./1/ ("CFD") agreed on February 9, 2005 to the New York Attorney General's Assurance of Discontinuance ("AOD"). Among other things, the AOD stipulates that CMA may manage or advise a Columbia Fund ("Fund" and together with all such funds or a group of such funds as the "Funds") only if the Independent Members of the Fund's Board of Trustees (such Independent Members of the Fund's Board together with the other members of the Fund's Board, referred to as the "Trustees") appoint a Senior Officer or retain an Independent Fee Consultant ("IFC") who is to manage the process by which proposed management fees are negotiated. The AOD further stipulates that the Senior Officer or IFC is to prepare a written annual evaluation of the fee negotiation process.

On September 14, 2006, the Independent Members of the Funds' Boards retained me as IFC for the Funds. In this capacity, I have prepared the second annual written evaluation of the fee negotiation process. I am successor to the first IFC, Erik Sirri, who prepared the annual evaluation in 2005 and who contributed to the second annual written evaluation until his resignation as IFC in August 2006 to become Director of the Division of Market Regulation at the U.S. Securities and Exchange Commission./2/

#### A. Role of the Independent Fee Consultant

The AOD charges the IFC with "managing the process by which proposed management fees...to be charged the Columbia Fund are negotiated so that they are negotiated in a manner which is at arms' length and reasonable and consistent with this Assurance of Discontinuance." In this role, the IFC does not replace the Trustees in negotiating management fees with CMA, and the IFC does not substitute his or her judgment for that of the Trustees about the reasonableness of proposed fees. As the AOD states, CMA "may manage or advise a Columbia Fund only if the reasonableness of the proposed management fees is determined by the Board of Trustees...using...an annual independent written evaluation prepared by or under the direction of...the Independent Fee Consultant."

#### B. Elements Involved in Managing the Fee Negotiation Process

Managing the fee negotiation process has three elements. One involves reviewing the information provided by CMG to the Trustees for evaluating the proposed management fees and augmenting that information, as necessary, with additional information from CMG or other sources and with further analyses of the

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

information and data. The second element involves reviewing the information and analysis relative to at least the following six factors set forth in the AOD:

1.The nature and quality of CMA's services, including the Fund's performance;

2.Management fees (including any components thereof) charged by other mutual fund companies for like services;

1CMA and CFD are subsidiaries of Columbia Management Group, Inc. ("CMG"), which also is the parent of Columbia Management Services, Inc. ("CFS"), the Funds' transfer agent. Before the date of this report, CMA merged into an affiliated entity, Banc of America Capital Management, LLC, which was renamed Columbia Management Advisors, LLC and which carries on the business of CMA. CFD also has been renamed Columbia Management Distributors, Inc.

2I am an independent economic consultant. From August 2005 until August 2006, I provided support to Mr. Sirri as an independent consultant. From 1994 to 2004, I was Chief Economist at the Investment Company Institute. Earlier, I was Section Chief and Assistant Director at the Federal Reserve Board and Professor of Economics at Oklahoma State University. I have no material relationship with Bank of America or CMG, aside from serving as IFC, and I am aware of no material relationship with any of their affiliates. To assist me with the report, I engaged NERA Economic Consulting, an independent consulting firm that has had extensive experience in the mutual fund industry. I also have retained Willkie Farr & Gallagher LLP as counsel to advise me in connection with the report.

49

3.Possible economies of scale as the Fund grows larger;

4.Management fees (including any components thereof) charged to institutional and other clients of CMA for like services;

5.Costs to CMA and its affiliates of supplying services pursuant to the management fee agreements, excluding any intra-corporate profit; and

6.Profit margins of CMA and its affiliates from supplying such services.

The final element involves providing the Trustees with a written evaluation of the above factors as they relate to the fee negotiation process.

### C. Organization of the Annual Evaluation

The 2006 annual evaluation focuses on the six factors and contains a section for each factor except that CMA's costs and profits from managing the Funds have been combined into a single section. In each section, the discussion of the factor considers and analyzes the available data and other information as they bear upon the fee negotiation process. If appropriate, the discussion in the section may point out certain aspects of the proposed fees that may warrant particular attention from the Trustees. The discussion also may suggest other data, information, and approaches that the Trustees might consider incorporating into the fee negotiation process in future years.

In addition to a discussion of the six factors, the report reviews the status of recommendations made in the 2005 IFC evaluation. The 2006 report also summarizes the findings with regard to the six factors and contains a summary of recommendations for possible enhancements to the process.

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

### II. Status of 2005 Recommendations

The 2005 IFC evaluation contains recommendations aimed at enhancing the evaluation of proposed management fees by Trustees. The section summarizes those recommendations and includes my assessment of the response to the recommendations.

1.Recommendation: Trustees should consider requesting more analytical work from CMG in the preparation of future 15(c) materials.

Status:CMG has provided additional analyses to the Trustees on economies of scale, a comparative analysis of institutional and retail management fees, management fee breakpoints, risk-adjusted performance, fee waivers and expense reimbursements, and CMG's costs and profitability.

2.Recommendation: Trustees may wish to consider whether CMG should continue expanding the use of Morningstar or other third party data to supplement CMG's fee and performance analysis that is now based primarily on Lipper reports.

Status:CMG has used data from Morningstar Inc. to compare with data from Lipper Inc. ("Lipper") in performing the Trustees' screening procedures.

3.Recommendation: Trustees should consider whether...the fund-by-fund screen...should place comparable emphasis on both basis point and quintile information in their evaluation of the funds...Also, the Trustees should consider incorporating sequences of one-year performance into a fund-by-fund screen.

Status:CMG has not provided Trustees with results of the screening process using percentiles. CMG has provided Trustees with information on the changes in performance and expenses between 2005 and 2006 and data on oneyear returns.

4.Recommendation: Given the volatility of fund performance, the Trustees may want to consider whether a better method exists than th[e] fee waiver process to deal with fund underperformance.

Status:It is my understanding that the Trustees have determined to address fund underperformance not only through fee waivers and expense caps but also through discussions with CMG regarding the sources of underperformance. CMG has provided Trustees with an analysis of the relationship between breakpoints, expense reimbursements, and fee waivers.

5.Recommendation: [Seventy-one]percent of funds [have] yet to reach their first management fee breakpoint... Trustees may wish to consider whether the results of my ongoing economies-of-scale work affects the underlying economic assumptions reflected in the existing breakpoint schedules.

50

Status:CMG has prepared a memo for the Trustees discussing its views on the nature and sharing of potential economies of scale. The memo discusses CMG's view that economies of scale arise at the complex level rather than the fund level. The memo also describes steps, including the introduction of breakpoints, taken to share economies of scale with

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

shareholders. CMG's analysis, however, does not discuss specific sources of economies of scale and does not link breakpoints to economies of scale that might be realized as the Funds' assets increase.

6. Recommendation: Trustees should continue working with management to address issues of funds that demonstrate consistent or significant underperformance even if the fee levels for the funds are low.

Status: Trustees monitor performance on an ongoing basis.

### III. Findings

#### A. General

1. Based upon my examination of the available information and the six factors, I conclude that the Trustees have the relevant information necessary to evaluate the reasonableness of the proposed management fees for the Funds. CMG has provided the Trustees with relevant materials on the six factors through the 15(c) contract renewal process and in materials prepared for review at Board and Committee meetings.

2. In my view, the process by which the proposed management fees of the Funds have been negotiated in 2006 thus far has been, to the extent practicable, at arms' length and reasonable and consistent with the AOD.

#### B. Nature and Quality of Services, Including Performance

3. The performance of the Funds has been relatively strong, especially that of fixed-income Funds. For each of the 1-, 3-, 5- and 10-year performance periods, over 60 percent of the funds have ranked in the top three performance quintiles.
4. The performance of the equity Funds overall, though less concentrated in the top two quintiles than the fixed-income Funds, improved in 2006 relative to that in 2005. The fixed income funds maintained the relatively high performance level of 2005 in 2006.
5. The Funds' overall performance adjusted for risk was significantly stronger than performance unadjusted for risk. Domestic and international equity funds, in particular, moved to higher relative performance rankings after adjusting for risk.
6. The procedure used to construct the performance universe in which each Fund's performance is ranked relative to comparable funds may bias a Fund's ranking upward within that universe. The bias occurs because the performance ranking procedure includes all share classes of multi-class funds in the universe and because the procedure ranks either no-load or A share classes of the Funds. No-load and A share classes generally have lower total expenses than B and C shares (owing to B and C shares having higher distribution/service fees) and thus, given all else, would outperform many of B and C share classes included in the universe. A preliminary analysis that adjusts for the bias results in a downward movement in the relative performance for the Funds but does not change the general finding that the Funds' performance has been strong relative to comparable funds.

#### C. Management Fees Charged by Other Mutual Fund Companies

7. The Funds' management fees and total expenses are generally low relative to those of their peers. At least 56 percent of the Funds are in the first or second quintiles with the lowest fees and expenses and nearly three-fourths or more in the first three quintiles. Equity Funds are more highly concentrated in the first three quintiles than fixed income Funds.
8. The fee and expense rankings as whole are similar to those in 2005 in that

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

the majority of funds are ranked in the top quintiles. Nonetheless, a number of individual funds experienced a change in ranking between 2005 and 2006. This fund-level instability may reflect sensitivity of rankings to the composition of the comparison groups, as the membership of the peer groups typically changed substantially between the two years.

9. The Liberty Money Market Fund VS appears to have a higher management fee structure than that of other Columbia money market funds of comparable asset size.

51

### D. Trustees' Fee and Performance Evaluation Process

10. The Trustees' evaluation process identified 21 funds in 2006 for further review based upon their relative performance or expenses. Seventeen of these funds had been subject to review in 2004 or 2005.

### E. Potential Economies of Scale

11. CMG has prepared a memo for the Trustees containing its views on the sources and sharing of potential economies of scale. CMG views economies of scale as arising at the complex level and would regard estimates of scale economies for individual funds as unreliable. CMG has not, however, identified specific sources of economies of scale nor has it provided any estimates of the magnitude of any economies of scale. In the memo, CMG also describes measures taken by the Trustees and CMG that seek to share any potential economies of scale through breakpoints in management fee schedules, expense reimbursements, fee waivers, enhanced shareholder services, fund mergers, and operational consolidation. These measures, although of significant benefit to shareholders, have not been directly linked in the memo to the existence, sources, and magnitude of economies of scale.

### F. Management Fees Charged to Institutional Clients

12. CMG has provided Trustees with comparisons of mutual fund management fees and institutional fees based upon standardized fee schedules and upon actual fees. Based upon the information, institutional fees are generally lower than the Funds' management fees. This pattern is consistent with the economics of the two financial products. Data are not available, however, on actual institutional fees at other money managers. Thus, it is not possible to determine the extent to which differences between the Funds' management fees and institutional fees are consistent with those seen generally in the marketplace.

### G. Revenues, Expenses, and Profits

13. The financial statements and the methodology underlying their construction generally form a sufficient basis for Trustees to evaluate the expenses and profitability of the Funds.

## IV. Recommendations

### A. Performance

1. Trustees may wish to consider incorporating risk-adjusted measures in their evaluation of performance. CMG has begun to prepare reports for the Trustees with risk adjustments, which could form the basis for formally including the measures in the 15(c) materials. To this end, Trustees may wish to have CMG prepare documents explaining risk adjustments and describing their advantages and disadvantages.



## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

2.Trustees may wish to consider having CMG evaluate the sensitivity of performance rankings to the design of the universe. The preliminary analysis contained in the evaluation suggests that the method employed by Lipper, the source of performance rankings used by the Trustees, may bias performance rankings upward.

### B. Economies of Scale

3.Trustees may wish to consider having CMG extend its analysis of economies of scale by examining the sources of such economies, if any. Identification of the sources may enable the Trustees and CMG to gauge their magnitude. It also may enable the Trustees and CMG to build upon past work on standardized fee schedules so that the schedules themselves are consistent with any economies of scale and their sources. Finally, an extension of the analysis may enable the Trustees and CMG to develop a framework that coordinates the use of fee waivers and expense caps with the standard fee schedules and with any economies of scale and their sources.

### C. Institutional Fees

4.Trustees may wish to consider encouraging CMG to build further upon its expanded analysis of institutional fees by refining the matching of institutional accounts with mutual funds, by dating the establishment of each institutional account, and by incorporating other accounts, such as subadvisory relationships, trusts, offshore funds, and separately managed accounts into the analysis.

### D. Profitability

5.Trustees may wish to consider requesting that CMG expand the reporting of revenues and expenses to include more line-item detail for management and administration, transfer agency, fund accounting, and distribution.

52

6.Trustees may wish to consider requesting that CMG provide a statement of its operations in the 15(c) materials.

7.Trustees may wish to consider the treatment of the revenue sharing with the Private Bank of Bank of America in their review of CMG's profitability.

Respectfully submitted,  
John D. Rea

53

## APPENDIX

### SOURCES OF INFORMATION USED IN THE EVALUATION

The following list generally describes the sources and types of information that were used in preparing this report.

1.Performance, management fees, and expense ratios for the Funds and comparable funds from other fund complexes from Lipper and CMG. The sources of this

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

- information were CMG and Lipper;
2. CMG's expenses and profitability obtained directly from CMG;
  3. Information on CMG's organizational structure;
  4. Profitability of publicly traded asset managers from Lipper;
  5. Interviews with CMG staff, including members of senior management, legal staff, heads of affiliates, portfolio managers, and financial personnel;
  6. Documents prepared by CMG for Section 15(c) contract renewals in 2005 and 2006;
  7. Academic research papers, industry publications, professional materials on mutual fund operations and profitability, and SEC releases and studies of mutual fund expenses
  8. Interviews with and documents prepared by Ernst & Young LLP in its review of the Private Bank Revenue Sharing Agreement;
  9. Discussions with Trustees and attendance at Board and committee meetings during which matters pertaining to the evaluation were considered.

In addition, I engaged NERA Economic Consulting ("NERA") to assist me in data management and analysis. NERA has extensive experience in the mutual fund industry that provides unique insights and special knowledge pertaining to my independent analysis of fees, performance, and profitability. I have also retained attorneys in the Washington, D.C. office of Willkie Farr & Gallagher LLP as outside counsel to advise me in connection with my evaluation.

Finally, meetings and discussions with CMG staff were informative. My participation in Board and committee meetings in which Trustees and CMG management discussed issues relating to management contracts were of great benefit to the preparation of the evaluation.

54

### Important Information About This Report

Colonial Municipal Income Trust

Transfer Agent

Computershare  
P.O. Box 43010  
Providence, RI 02940-3010

The trust mails one shareholder report to each shareholder address. Shareholders can order additional reports by calling 800-730-6001. In addition, representatives at that number can provide shareholders information about the trust.

Financial advisors who want additional information about the trust may speak to

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

a representative at 800-426-3750.

A description of the trust's proxy voting policies and procedures is available (i) at [www.columbiamanagement.com](http://www.columbiamanagement.com); (ii) on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov), and (iii) without charge, upon request, by calling 800-730-6001. Information regarding how the trust voted proxies relating to portfolio securities during the 12-month period ended June 30 is available from the SEC's website. Information regarding how the trust voted proxies relating to portfolio securities is also available at [www.columbiamanagement.com](http://www.columbiamanagement.com).

The trust files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The trust's Form N-Q is available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Annual Certifications -- As required, on June 21, 2006, the trust submitted to the New York Stock Exchange ("NYSE") the annual certification of the trust's Chief Executive Officer certifying that he is not aware of any violation of the NYSE's Corporate Governance listing standards. The trust also has included the certifications of the trust's Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to the trust's Form N-CSR filed with the Securities and Exchange Commission for the annual period.

This report has been prepared for shareholders of Colonial Municipal Income Trust.

55

[GRAPHIC]

COLONIAL MUNICIPAL INCOME TRUST

ANNUAL REPORT

SHC-42/115520-1106 (01/07) 07/33040

Item 2. Code of Ethics.

- (a) The registrant has, as of the end of the period covered by this report, adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party.
- (b) The registrant's Board adopted, effective January 3, 2006, a revised code of ethics described in 2(a) above. This revised code of ethics, which is attached as an exhibit hereto, does not differ materially from the code of ethics in effect for the year ended November 30, 2005.
- (c) During the period covered by this report, there were no waivers, including any implicit waivers, from a provision of the code of ethics described in 2(a) above that relates to one or more of the items set forth in paragraph (b) of this item's instructions.

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

### Item 3. Audit Committee Financial Expert.

The registrant's Board of Trustees has determined that Douglas A. Hacker, Thomas E. Stitzel and Anne-Lee Verville, each of whom are members of the registrant's Board of Trustees and Audit Committee, each qualify as an audit committee financial expert. Mr. Hacker, Mr. Stitzel and Ms. Verville are each independent trustees, as defined in paragraph (a)(2) of this item's instructions and collectively constitute the entire Audit Committee.

### Item 4. Principal Accountant Fees and Services.

(a) Audit Fees. Aggregate Audit Fees billed by the principal accountant for professional services rendered during the fiscal years ended November 30, 2006 and November 30, 2005 are approximately as follows:

2006	2005
----	----
\$32,000	\$29,000

Audit Fees include amounts related to the audit of the registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

(b) Audit-Related Fees. Aggregate Audit-Related Fees billed to the registrant by the principal accountant for professional services rendered during the fiscal years ended November 30, 2006 and November 30, 2005 are approximately as follows:

2006	2005
----	----
\$13,700	\$13,200

Audit-Related Fees include amounts for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported in Audit Fees above. In both fiscal years 2006 and 2005, Audit-Related Fees include agreed-upon procedures performed for semi-annual shareholder reports and rating agency reviews.

During the fiscal years ended November 30, 2006 and November 30, 2005, there were no Audit-Related Fees billed by the registrant's principal accountant to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser) and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for an engagement that related directly to the operations and financial reporting of the registrant.

(c) Tax Fees. Aggregate Tax Fees billed by the principal accountant to the registrant for professional services rendered during the fiscal years ended November 30, 2006 and November 30, 2005 are approximately as follows:

2006	2005
----	----
\$3,900	\$3,100

Tax Fees consist primarily of the review of annual tax returns and include amounts for professional services by the principal accountant for tax

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

compliance, tax advice and tax planning.

During the fiscal years ended November 30, 2006 and November 30, 2005, there were no Tax Fees billed by the registrant's principal accountant to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser) and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for an engagement that related directly to the operations and financial reporting of the registrant.

(d) All Other Fees. Aggregate All Other Fees billed by the principal accountant to the registrant for professional services rendered during the fiscal years ended November 30, 2006 and November 30, 2005 are approximately as follows:

2006	2005
----	----
\$0	\$0

All Other Fees include amounts for products and services provided by the principal accountant, other than the services reported in paragraphs

(a) through (c) above.

Aggregate All Other Fees billed by the registrant's principal accountant to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser) and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for an engagement that related directly to the operations and financial reporting of the registrant during the fiscal years ended November 30, 2006 and November 30, 2005 are approximately as follows:

2006	2005
----	----
\$505,500	\$255,500

In both fiscal years 2006 and 2005, All Other Fees include internal control reviews of the registrant's investment advisor.

(e) (1) Audit Committee Pre-Approval Policies and Procedures

The registrant's Audit Committee is required to pre-approve the engagement of the registrant's independent accountants to provide audit and non-audit services to the registrant and non-audit services to its investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser) or any entity controlling, controlled by or under common control with such investment adviser that provides ongoing services to the registrant ("Adviser Affiliates"), if the engagement relates directly to the operations and financial reporting of the registrant.

The Audit Committee has adopted a Policy for Engagement of Independent Accountants for Audit and Non-Audit Services ("Policy"). The Policy sets forth the understanding of the Audit Committee regarding the engagement of the registrant's independent accountants to provide (i) audit and permissible audit-related, tax and other services to the registrant (collectively "Fund Services"); (ii) non-audit services to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser) and Adviser Affiliates, if the engagement relates directly to the operations or financial

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

reporting of a Fund (collectively "Fund-related Adviser Services"); and (iii) certain other audit and non-audit services to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is

subcontracted with or overseen by another investment adviser) and Adviser Affiliates. Unless a type of service receives general pre-approval under the Policy, it requires specific pre-approval by the Audit Committee if it is to be provided by the independent accountants. Pre-approval of non-audit services to the registrant, the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser) and Adviser Affiliates may be waived provided that the "de minimis" requirements set forth under paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X are met.

Under the Policy, the Audit Committee may delegate pre-approval authority to any pre-designated member or members who are Independent Trustees/Directors. The member(s) to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next regular meeting. The Audit Committee's responsibilities with respect to the pre-approval of services performed by the independent accountants may not be delegated to management.

The Policy requires the Fund Treasurer and/or Director of Board Administration to submit to the Audit Committee, on an annual basis, a schedule of the types of services that are subject to general pre-approval. The schedule(s) provide a description of each type of service that is subject to general pre-approval and, where possible, will provide estimated fee caps for each instance of providing each service. The Audit Committees will review and approve the types of services and review the projected fees for the next fiscal year and may add to, or subtract from, the list of general pre-approved services from time to time based on subsequent determinations. That approval acknowledges that the Audit Committee is in agreement with the specific types of services that the independent accountants will be permitted to perform.

The Fund Treasurer and/or Director of Board Administration shall report to the Audit Committee at each of its regular meetings regarding all Fund Services or Fund-related Adviser Services initiated since the last such report was rendered, including a general description of the services, actual billed and projected fees, and the means by which such Fund Services or Fund-related Adviser Services were pre-approved by the Audit Committee.

\*\*\*\*\*

(e) (2) The percentage of services described in paragraphs (b) through (d) of this Item approved pursuant to the "de minimis" exception under paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X during both fiscal years ended November 30, 2006 and November 30, 2005 was zero.

(f) Not applicable.

(g) The aggregate non-audit fees billed by the registrant's accountant for services rendered to the registrant, and rendered to the registrant's investment adviser (not

including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

provides ongoing services to the registrant for the fiscal years ended November 30, 2006 and November 30, 2005 are approximately as follows:

2006	2005
-----	-----
\$523,100	\$271,800

(h) The registrant's Audit Committee of the Board of Directors has considered whether the provision of non-audit services that were rendered to the registrant's adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X, is compatible with maintaining the principal accountant's independence.

### Item 5. Audit Committee of Listed Registrants.

The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act (15 U.S.C. 78c(a)(58)(A)). Douglas A. Hacker, Thomas E. Stitzel and Anne-Lee Verville are each independent trustees and collectively constitute the entire Audit Committee.

### Item 6. Schedule of Investments

The registrant's "Schedule I - Investments in securities of unaffiliated issuers" (as set forth in 17 CFR 210.12-12) is included in Item 1 of this Form N-CSR.

### Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

The Fund has delegated to Columbia Management Advisors, LLC (the "Advisor") the responsibility to vote proxies relating to portfolio securities held by the Fund. In deciding to delegate this responsibility to the Advisor, the Board of Trustees of the Trust reviewed and approved the policies and procedures adopted by the Advisor. These included the procedures that the Advisor follows when a vote presents a conflict between the interests of the Fund and its shareholders and the Advisor, its affiliates, its other clients or other persons.

The Advisor's policy is to vote all proxies for Fund securities in a manner considered by the Advisor to be in the best interest of the Fund and its shareholders without regard to any benefit to the Advisor, its affiliates, its other clients or other persons. The Advisor examines each proposal and votes against the proposal, if, in its judgment, approval or adoption of the proposal would be expected to impact adversely the current or potential

market value of the issuer's securities. The Advisor also examines each proposal and votes the proxies against the proposal, if, in its judgment, the proposal would be expected to affect adversely the best interest of the Fund. The Advisor determines the best interest of the Fund in light of the potential economic return on the Fund's investment.

The Advisor addresses potential material conflicts of interest by having predetermined voting guidelines. For those proposals that require special consideration or in instances where special circumstances may require varying from the predetermined guideline, the Advisor's Proxy Committee determines the vote in the best interest of the Fund, without consideration of any benefit to

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

the Advisor, its affiliates, its other clients or other persons. The Advisor may also address potential material conflicts of interest by delegating the proxy to an independent third party voting agent.

The Advisor's Proxy Committee is composed of representatives of the Advisor's investment management team, compliance, legal and fund administration functions. In addition to the responsibilities described above, the Proxy Committee has the responsibility to review, at least annually, the Advisor's proxy voting policies to ensure consistency with internal and regulatory agency policies and to develop additional predetermined voting guidelines to assist in the review of proxy proposals.

The Proxy Committee may vary from a predetermined guideline if it determines that voting on the proposal according to the predetermined guideline would be expected to impact adversely the current or potential market value of the issuer's securities or to affect adversely the best interest of the client. References to the best interest of a client refer to the interest of the client in terms of the potential economic return on the client's investment. In determining the vote on any proposal, the Proxy Committee does not consider any benefit other than benefits to the owner of the securities to be voted. A member of the Proxy Committee is prohibited from voting on any proposal for which he or she has a conflict of interest by reason of a direct relationship with the issuer or other party affected by a given proposal. Persons making recommendations to the Proxy Committee or its members are required to disclose to the Committee any relationship with a party making a proposal or other matter known to the person that would create a potential conflict of interest.

The Advisor has retained a third party vendor to implement its proxy voting process. The vendor provides proxy analysis, record keeping services and vote disclosure services.

### Item 8. Portfolio Managers of Closed-End Management Investment Companies.

#### (a) (1) PORTFOLIO MANAGER

MAUREEN G. NEWMAN, a senior vice president of Columbia Management Advisors, LLC, is the manager for the Fund and has managed the Fund since August, 1998. Ms. Newman has been associated with Columbia Management Advisors, LLC or its predecessors since May 1996.

#### (2) OTHER ACCOUNTS MANAGED BY THE PORTFOLIO MANAGER

The following table shows the number and assets of other investment accounts (or portions of investment accounts) that the Fund's portfolio manager managed as of the Fund's fiscal year-end.

Portfolio Manager	Other SEC- registered open-end and closed-end funds		Other pooled investment vehicles		Other accounts	
	Number of accounts	Assets	Number of accounts	Assets	Number of accounts	Assets
Maureen G. Newman	3	\$1.3 billion	0	\$0	10	\$3.7 million

None of these accounts are subject to an advisory fee that is based on the



## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

performance of the account.

### POTENTIAL CONFLICTS OF INTEREST IN MANAGING MULTIPLE ACCOUNTS

Like other investment professionals with multiple clients, a portfolio manager for the Fund may face certain potential conflicts of interest in connection with managing both the Fund and other accounts at the same time. The paragraphs below describe some of these potential conflicts, which Columbia Management Advisors, LLC believes are faced by investment professionals at most major financial firms. Columbia Management Advisors, LLC and the Trustees of the Fund have adopted compliance policies and procedures that attempt to address certain of these potential conflicts.

The management of accounts with different advisory fee rates and/or fee structures, including accounts that pay advisory fees based on account performance ("performance fee accounts"), may raise potential conflicts of interest by creating an incentive to favor higher-fee accounts. These potential conflicts may include, among others:

- . The most attractive investments could be allocated to higher-fee accounts or performance fee accounts.
- . The trading of higher-fee accounts could be favored as to timing and/or execution price. For example, higher-fee accounts could be permitted to sell securities earlier than other accounts when a prompt sale is desirable or to buy securities at an earlier and more opportune time.
- . The trading of other accounts could be used to benefit higher-fee accounts (front- running).
- . The investment management team could focus their time and efforts primarily on higher-fee accounts due to a personal stake in compensation.

Potential conflicts of interest may also arise when the portfolio managers have personal investments in other accounts that may create an incentive to favor those accounts. As a general matter and subject to limited exceptions, Columbia Management Advisors, LLC's investment professionals do not have the opportunity to invest in client accounts, other than the Columbia Funds.

A potential conflict of interest may arise when the Fund and other accounts purchase or sell the same securities. On occasions when a portfolio manager considers the purchase or sale of a security to be in the best interests of the Fund as well as other accounts, Columbia Management Advisors, LLC 's trading desk may, to the extent permitted by applicable laws and regulations, aggregate the securities to be sold or purchased in order to obtain the best execution and lower brokerage commissions, if any. Aggregation of trades may create the potential for unfairness to the Fund or another account if one account is favored over another in allocating the securities purchased or sold -- for example, by allocating a disproportionate amount of a security that is likely to increase in value to a favored account.

"Cross trades," in which one Columbia account sells a particular security to another account (potentially saving transaction costs for both accounts), may also pose a potential conflict of interest. Cross trades may be seen to involve a potential conflict of interest if, for example, one account is permitted to sell a security to another account at a higher price than an independent third party would pay. Columbia Management Advisors, LLC and the Funds' Trustees have adopted compliance procedures that provide that any transactions between the Fund and another Columbia-advised account are to be made at an independent current market price, as required by law.

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Another potential conflict of interest may arise based on the different investment objectives and strategies of the Fund and other accounts. For example, another account may have a shorter-term investment horizon or different investment objectives, policies or restrictions than the Fund. Depending on another account's objectives or other factors, a portfolio manager may give advice and make decisions that may differ from advice given, or the timing or nature of decisions made, with respect to the Fund. In addition, investment decisions are the product of many factors in addition to basic suitability for the particular account involved. Thus, a particular security may be bought or sold for certain accounts even though it could have been bought or sold for other accounts at the same time. More rarely, a particular security may be bought for one or more accounts managed by a portfolio manager when one or more other accounts are selling the security (including short sales). There may be circumstances when purchases or sales of portfolio securities for one or more accounts may have an adverse effect on other accounts.

The Fund's portfolio manager who is responsible for managing multiple funds and/or accounts may devote unequal time and attention to the management of those funds and/or accounts. As a result, the portfolio manager may not be able to formulate as complete a strategy or identify equally attractive investment opportunities for each of those accounts as might be the case if he or she were to devote substantially more attention to the management of a single fund. The effects of this potential conflict may be more

pronounced where funds and/or accounts overseen by a particular portfolio manager have different investment strategies.

The Fund's portfolio managers may be able to select or influence the selection of the brokers and dealers that are used to execute securities transactions for the Fund. In addition to executing trades, some brokers and dealers provide portfolio managers with brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934), which may result in the payment of higher brokerage fees than might have otherwise be available. These services may be more beneficial to certain funds or accounts than to others. Although the payment of brokerage commissions is subject to the requirement that the portfolio manager determine in good faith that the commissions are reasonable in relation to the value of the brokerage and research services provided to the fund, a portfolio manager's decision as to the selection of brokers and dealers could yield disproportionate costs and benefits among the funds and/or accounts that he or she manages.

Columbia Management Advisors, LLC or an affiliate may provide more services (such as distribution or recordkeeping) for some types of funds or accounts than for others. In such cases, a portfolio manager may benefit, either directly or indirectly, by devoting disproportionate attention to the management of fund and/or accounts that provide greater overall returns to the investment manager and its affiliates.

The Fund's portfolio manager(s) may also face other potential conflicts of interest in managing the Fund, and the description above is not a complete description of every conflict that could be deemed to exist in managing both the Fund and other accounts. In addition, the Fund's portfolio manager may also manage other accounts (including their personal assets or the assets of family members) in their personal capacity. The management of these accounts may also involve certain of the potential conflicts described above. Investment personnel at Columbia Management Advisors, LLC, including the Fund's portfolio manager, are subject to restrictions on engaging in personal securities transactions pursuant to Codes of Ethics adopted by the Columbia Management

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Advisors, LLC and the Fund, which contain provisions and requirements designed to identify and address certain conflicts of interest between personal investment activities and the interests of the Fund.

### (3) COMPENSATION

As of the Fund's most recent fiscal year end, the portfolio manager received all of her compensation from Columbia Management Advisors, LLC and its parent company, Columbia Management Group, in the form of salary, bonus, stock options and restricted stock. A portfolio manager's bonus is variable and is generally based on (1) an evaluation of the manager's investment performance and (2) the results of a peer and/or management review of such individual, which takes into account skills and attributes such as team participation, investment process, communication and professionalism. In evaluating investment performance, Columbia Management Advisors, LLC generally considers the one-, three- and five-year performance of mutual funds and other accounts

under the portfolio manager's oversight relative to the benchmarks and peer groups noted below, emphasizing the manager's three- and five-year performance. Columbia Management Advisors, LLC may also consider the portfolio manager's performance in managing client assets in sectors and industries assigned to the manager as part of her investment team responsibilities, where applicable. For portfolio managers who also have group management responsibilities, another factor in their evaluation is an assessment of the group's overall investment performance.

Portfolio Manager	Performance Benchmark	Peer Group
Maureen G. Newman	Lehman Municipal Bond Index	Lipper High Yield Municipal Debt Funds

The size of the overall bonus pool each year is determined by Columbia Management Group and depends in part on levels of compensation generally in the investment management industry (based on market compensation data) and Columbia Management Advisors, LLC 's profitability for the year, which is influenced by assets under management.

### (4) OWNERSHIP OF SECURITIES

The table below shows the dollar ranges of shares of the Fund beneficially owned (as determined pursuant to Rule 16a-1(a)(2) under the Securities Exchange Act of 1934, as amended) by the portfolio manager listed above at the end of the Fund's most recent fiscal year:

Portfolio Manager	Dollar Range of Equity Securities in the Fund Beneficially Owned
Maureen G. Newman	None

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

#### Registrant Purchases of Equity Securities\*

(c)	
Total Number of	(d)

## Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
06/01/06 through 06/30/06	8,590	\$5.79	8,590	N/A
07/01/06 through 07/31/06	0	\$0.00	0	N/A
08/01/06 through 08/31/06	0	\$0.00	0	N/A
09/01/06 through 09/30/06	0	\$0.00	0	N/A
10/01/06 through 10/31/06	7,448	\$5.93	7,448	N/A
11/01/06 through 11/30/06	7,107	\$5.86	7,107	N/A
Total.....	23,145	\$5.86	23,145	N/A

\* Includes shares purchased by the Dividend Reinvestment Agent pursuant to the Registrant's Dividend Reinvestment Plan.

### Item 10. Submission of Matters to a Vote of Security Holders.

There have not been any material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors, since those procedures were last disclosed in response to requirements of Item 7(d)(2)(ii)(G) of Schedule 14A or this Item.

### Item 11. Controls and Procedures.

(a) The registrant's principal executive officer and principal financial officers, based on their evaluation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing of this report, have concluded that such controls and procedures are adequately designed to ensure that information required to be disclosed by the registrant in Form N-CSR is accumulated and communicated to the registrant's management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) There was no change in the registrant's internal control over financial reporting that occurred during the registrant's second fiscal quarter of the period covered by

this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

### Item 12. Exhibits.

(a)(1) Code of ethics required to be disclosed under Item 2 of Form N-CSR attached hereto as Exhibit 99.CODE ETH.

(a)(2) Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) attached hereto as Exhibit 99.CERT.

(a)(3) Not applicable.

(b) Certification pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 (17 CFR 270.30a-2(b)) attached hereto as Exhibit 99.906CERT.

Edgar Filing: COLONIAL MUNICIPAL INCOME TRUST - Form N-CSR

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(registrant) Colonial Municipal Income Trust  
-----

By (Signature and Title) /s/ Christopher L. Wilson  
-----  
Christopher L. Wilson, President

Date January 25, 2007  
-----

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title) /s/ Christopher L. Wilson  
-----  
Christopher L. Wilson, President

Date January 25, 2007  
-----

By (Signature and Title) /s/ J. Kevin Connaughton  
-----  
J. Kevin Connaughton, Treasurer

Date January 25, 2007  
-----