

ANNUAL REPORT

September 30, 2004

Mosaic *Tax-Free Trust*

Mosaic Arizona Tax-Free Fund

Mosaic Missouri Tax-Free Fund

Mosaic Virginia Tax-Free Fund

Mosaic Tax-Free National Fund



www.mosaicfunds.com

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Management's Discussion of Fund Performance



Michael J. Peters

The annual period ended September 30, 2004 was another positive stretch for holders of Mosaic Tax-Free Trust Funds. One-year total returns for the bond funds in Tax-Free Trust were: 2.38% for Tax-Free Arizona; 3.23% for Tax-Free Missouri; 3.46% for Tax-Free Virginia; and 2.47% for Tax-Free National. Over

the same period, the Lipper General Municipal Debt Index was up 4.39%. The funds' returns were in line with the previous annual period, but this should not be taken as a sign that the bond market has been stable or steady. In fact, through the first three quarters of the annual period the funds were flat or negative and only a strong rally in the final quarter put them ahead for the year.

Fund duration was a significant factor in terms of relative performance for the year. The Lipper Intermediate Municipal Debt Index was up 3.05%, while the Lipper Short Municipal Bond Index was up 1.23% for the period. Lower-grade municipals also outperformed. Mosaic's funds were positioned closer to the intermediate range in terms of duration, while holding high-quality bonds. Both factors contribute to risk moderation, but were not relative performance pluses over the course of this particular period, although we did see the benefit during stretches in the year when bond prices were under pressure. We continue to moderate duration, which will be an asset if interest rates rise over the next year, a scenario which we believe is most likely.

Economic Overview

As we entered this annual period, in the fall of 2003, there were signs that the economy and equity market had finally made a turn. The economic expansion was putting upward pressure on interest rates; pressure which was counterbalanced by the Federal Reserve's conviction that they could hold interest rates at low levels for a considerable time. One key factor was the stubbornly low employment

statistics, which continued to disappoint, and in doing so created doubt about the depth of the economic rebound. On the other hand, there was growing evidence that economic activity had entered a strong and sustainable recovery. Monetary and fiscal stimulus seemed to be gaining traction, and growth was broad-based, with advancing capital spending, improving inventory stockpiles, strong housing, and stable consumer expenditures.

As the year progressed, we saw continued tension between economic expansion and the Fed's low rates. On June 30, 2004 the Fed did indeed raise the Fed Fund rate 25 basis points and put the markets on notice that the June increase would be just the first of a series of increases. Improving jobs data and fears of inflation suggested an economy that was just too strong to warrant a Fed Funds rate of 1.00% or even 1.75%, the rate that the Fed maintained at the end of this annual period, following three 0.25% raises over the course of the year. Although market fundamentals pointed towards higher interest rates, we saw a number of mitigating factors emerge over the course of the summer. Bad news from Iraq, higher oil prices, and fear of terrorism kept money flowing into bonds and produced doubts about the sustainability of the expansion. In addition, record buying of U.S. bonds by foreign buyers also dampened prices.

Outlook

While we view the recent moderation in economic growth as a natural step in an ongoing recovery, we are focusing on key economic fundamentals as we look forward to the coming 12-18 months. Consumer demand has slowed in the face of higher energy prices, and corporate decision makers appear reluctant to commit to expenditures ahead of the presidential election. However, the current economic expansion is maintaining its momentum despite rising short-term rates. In fact the Fed Funds Rate remains well below the 3.5%-4.0% range, many economists' estimate of "neutral" monetary policy. After flaring up in the second quarter to over 4%, the Consumer Price Index has settled to an annual rate of 2%. Until economic

growth resumes and employment growth steps higher, inflation should remain stable.

Foreign investors continue to pour money into U.S. securities. Record trade balance and current account deficits are inducing foreigners, particularly central banks, to “recycle” money back into our markets. In the last 12 months foreign investors purchased almost 100% of net marketable Treasury securities issued, and have also been a force in the Government Agency and corporate bond markets. This demand for dollar-denominated securities is keeping rates lower than economic fundamentals justify, and will give the bond market trouble when the dollar weakens and demand subsides.

We believe that the Federal Open Market Committee will continue to “normalize” short-term interest rates at a gradual pace. The Fed Funds Rate of 1.75% is still below prevailing inflation and extremely stimulative for the economy. Our base case expects the Fed to persist in its path to neutral monetary policy, with an endpoint in the 3% to 4% range over the next 18 months. More aggressive rate increases could unfold if the labor markets heat up, or if inflation pressures flare in the first half of 2005.

Today's long-term interest rate levels are discounting protracted economic weakness. Market rates below the level of nominal GDP growth imply a weaker economy ahead. We strongly disagree. Temporary “soft patches” of economic growth during recoveries are normal and can be found in each post-WWII expansion. Historically, such “soft patches” have been followed by a resumption of buoyant activity, and, more often than not, higher interest rates. Stimulative short-term interest rates should continue to support this expansion, which we expect will reassert itself once the fall elections are concluded and political uncertainty is removed.

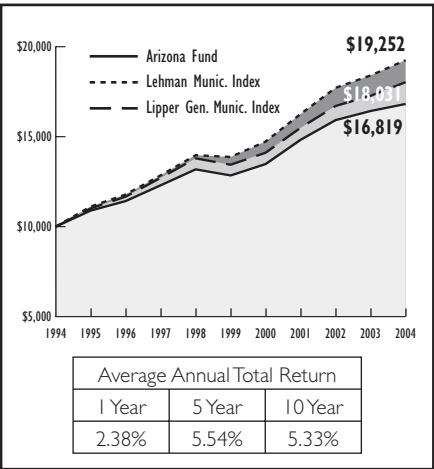
Although we anticipate interest rates to rise in the coming months, we expect municipal bonds to perform well on a relative basis versus taxable bonds. For example, the generic AAA-rated 10-year municipal bond yielded approximately 84% of the comparable treasury at the end of the quarter. This is typically a good ratio in which to purchase municipal bonds, particularly for investors in the upper tax brackets. Additionally, with the presidential election season in full swing, any

discussion of boosting income taxes is usually met with increased demand for municipal bonds.

ARIZONA FUND

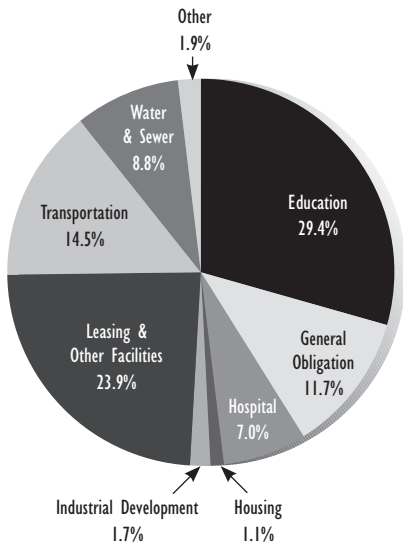
Arizona continues to enjoy a strong, well-diversified service and tourism based economy. The State does not have a credit rating because it does not issue general obligation bonds. The Fund had a total return of 2.38% for the annual period and the 30-day SEC yield was 2.04% as of September 30, 2004. The duration of the portfolio was 5.34 years while the average credit quality remained at AA. The Lehman Municipal Bond Index, which does not incur or reflect management fees, returned 4.60% over the one-year period, while sporting a 7.72 year duration at year-end. The Fund's shorter duration hurt performance during this positive period for bonds. Purchases made during the period included the Arizona Transportation Board and Phoenix Street and Highway User revenue bonds. Arizona ranked 12th in the country in terms of issuance on a year-to-date basis.

COMPARISON OF CHANGES IN THE VALUE OF A \$10,000 INVESTMENT WITH THE LEHMAN MUNICIPAL BOND INDEX AND LIPPER GENERAL MUNICIPAL BOND INDEX FOR MOSAIC ARIZONA FUND

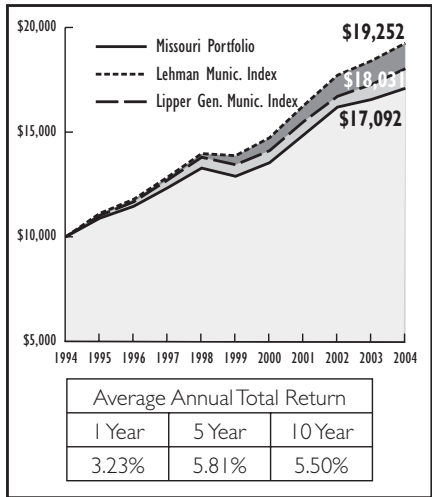


Past performance is not predictive of future performance. Graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

**INDUSTRY DIVERSIFICATION
AS OF SEPTEMBER 30, 2004
FOR MOSAIC ARIZONA FUND**



**COMPARISON OF CHANGES IN THE VALUE
OF A \$10,000 INVESTMENT WITH THE
LEHMAN MUNICIPAL BOND INDEX AND
LIPPER GENERAL MUNICIPAL BOND INDEX
FOR MOSAIC MISSOURI FUND**

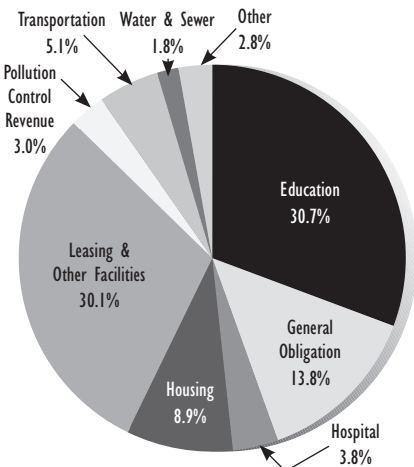


Past performance is not predictive of future performance. Graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

MISSOURI FUND

Missouri has a broad-based and diversified economy that is service-sector oriented. The State's general obligation bonds are rated AAA. The Fund had a total return of 3.23% for the annual period and the 30-day SEC yield was 2.33% as of September 30, 2004. The duration of the portfolio was 6.45 years while the average credit quality was maintained at AA. The Lehman Municipal Bond Index, which does not incur or reflect management fees, returned 4.60% over the one-year period, while sporting a 7.72 year duration at year-end. The Fund's shorter duration hurt performance during this positive period for bonds. Purchases during the period included the Polk County School District and Missouri Health and Education for SSM Health Care. Missouri ranked 25th in the country in terms of issuance on a year-to-date basis.

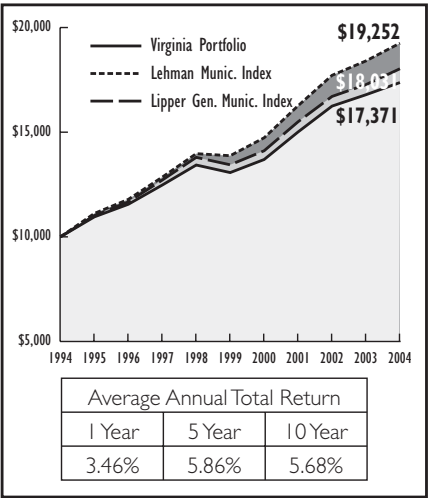
**INDUSTRY DIVERSIFICATION
AS OF SEPTEMBER 30, 2004
FOR MOSAIC MISSOURI FUND**



VIRGINIA FUND

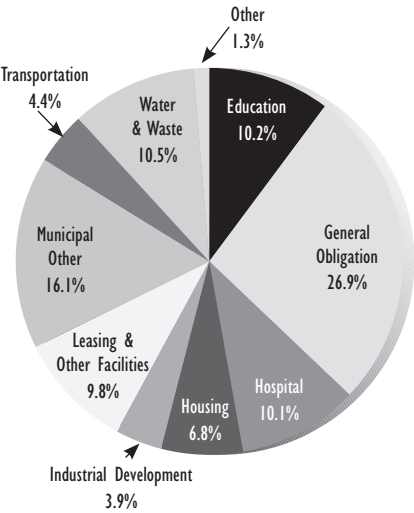
The Commonwealth of Virginia maintains an AAA general obligation bond rating based on a well-diversified economy that emphasizes services and government. The Fund had a total return of 3.46% for the annual period and the 30-day SEC yield was 2.59% as of September 30, 2004. The duration of the portfolio was 6.76 years while the average credit quality was maintained at AA. The Lehman Municipal Bond Index, which does not incur or reflect management fees, returned 4.60% over the one-year period, while sporting a 7.72 year duration at year-end. The Fund's shorter duration hurt performance during this positive period for bonds. Purchases during the period included the Hampton Virginia Museum revenue bonds and Newport News general obligation bonds. Virginia ranked 17th in the country in terms of issuance on a year-to-date basis.

COMPARISON OF CHANGES IN THE VALUE OF A \$10,000 INVESTMENT WITH THE LEHMAN MUNICIPAL BOND INDEX AND LIPPER GENERAL MUNICIPAL BOND INDEX FOR MOSAIC VIRGINIA FUND



Past performance is not predictive of future performance. Graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

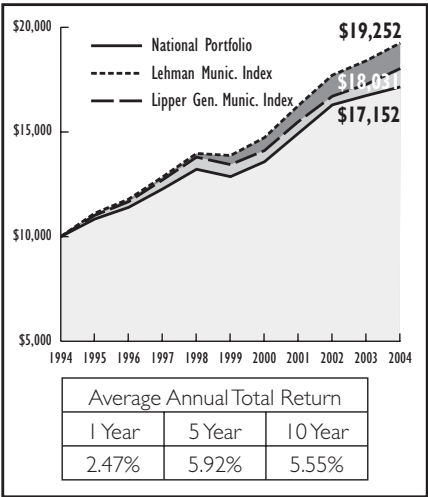
INDUSTRY DIVERSIFICATION AS OF SEPTEMBER 30, 2004 FOR MOSAIC VIRGINIA FUND



NATIONAL FUND

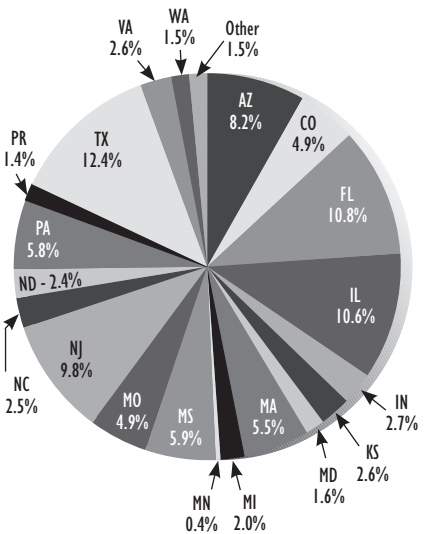
The National Fund had a total return of 2.47% for the annual period and the 30-day SEC yield was 1.60% as of September 30, 2004. The duration of the portfolio was 6.39 years while 81.2% of the portfolio held Moody's top Aaa rating. The Lehman Municipal Bond Index, which does not incur or reflect management fees, returned 4.60% over the one-year period, while sporting a 7.72 year duration at year-end. The Fund's shorter duration hurt performance during this positive period for bonds. Purchases made during the period included the New Jersey Turnpike Authority and El Paso County, Texas School District. The United States and its territories has issued \$265.6 billion in muni bonds year-to-date through the end of September which represents an 8.8% decrease in volume over the same period last year.

COMPARISON OF CHANGES IN THE VALUE
OF A \$10,000 INVESTMENT WITH THE
LEHMAN MUNICIPAL BOND INDEX AND
LIPPER GENERAL MUNICIPAL BOND INDEX
FOR MOSAIC NATIONAL FUND




Past performance is not predictive of future performance. Graph and table do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

STATE DIVERSIFICATION
AS OF SEPTEMBER 30, 2004
FOR MOSAIC NATIONAL FUND



We appreciate your confidence in Mosaic Funds and reaffirm our commitment to provide you with competitive returns to meet your investment objectives.

Sincerely,

Michael J. Peters, CFA
Vice President

Report of Independent Registered Public Accounting Firm

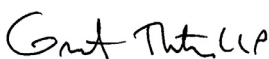
TO THE BOARD OF TRUSTEES AND SHAREHOLDERS OF
MOSAIC TAX-FREE TRUST

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of Mosaic Tax-Free Trust (the "Trust"), including Arizona Fund, Missouri Fund, Virginia Fund, and National Fund (collectively, the "Funds"), as of September 30, 2004, the related statements of operations for the year then ended, and statements of changes in net assets for the year then ended. Our audit also included the financial highlights for the year ended September 30, 2004. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit. The statements of changes in net assets for the year ended September 30, 2003 and financial highlights for each of the four years in the period then ended were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated November 11, 2003.

We conducted our audit 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 and financial highlights are

free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of September 30, 2004, by correspondence with the Funds' custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2004 financial statements and 2004 financial highlights referred to above present fairly, in all material respects, the financial position of each of the Funds constituting the Trust as of September 30, 2004, the results of their operations, the changes in their net assets, and the changes in financial highlights for the year ended September 30, 2004, in conformity with accounting principles generally accepted in the United States of America.



Chicago, Illinois
November 5, 2004

Arizona Fund • Portfolio of Investments

| CREDIT RATING* | | | PRINCIPAL | MARKET |
|---|-----|--|-----------|-----------|
| MOODY'S | S&P | | AMOUNT | VALUE |
| LONG TERM MUNICIPAL BONDS: 98.1% of net assets | | | | |
| EDUCATION: 29.4% | | | | |
| Aa3 | AA | Maricopa County Unified School District #210 (Phoenix), 5.375%, 7/1/13 | \$400,000 | \$428,668 |
| Aaa | AAA | Maricopa County Unified School District #41 (Gilbert), 5.8%, 7/1/14 | 250,000 | 294,830 |
| Baa2 | nr | Maricopa County Unified School District #090 (Saddle Mountain), 5%, 7/1/14 | 75,000 | 78,269 |
| Aaa | AAA | Mohave County Elementary School District #16 (Mohave Valley) (MBIA Insured), 5.375%, 7/1/13 | 100,000 | 108,781 |
| Aaa# | AAA | Mohave County Elementary School District #1 (Lake Havasu) (FGIC Insured), 5.9%, 7/1/15 | 150,000 | 162,093 |
| Aaa | AAA | Pima County Unified School District #10 (Amphitheater), (FGIC Insured), 5.1%, 7/1/11 | 190,000 | 210,953 |
| Aaa | AAA | Pima County, Arizona School District, (MBIA Insured), 5%, 7/1/09 | 125,000 | 133,160 |
| Aaa | AAA | University of Arizona, (AMBAC Insured) 5%, 6/1/17 | 125,000 | 134,963 |
| Aaa | AAA | University of Arizona Board of Regents, (FGIC Insured) 5.8%, 6/1/24 | 275,000 | 306,922 |
| GENERAL OBLIGATION: 11.7% | | | | |
| Baa1 | A- | Puerto Rico Commonwealth, 6.5%, 7/1/14 | 320,000 | 392,099 |
| Aaa# | AAA | Scottsdale Preserve Authority Excise Tax Revenue (FGIC Insured), 5.625%, 7/1/22 | 75,000 | 77,993 |
| Aa3 | AA | Tucson Recreational Facility Improvements, 5.25%, 7/1/19 | 250,000 | 267,248 |
| HOSPITAL: 7.0% | | | | |
| Aaa# | AAA | Arizona Health Facilities Authority, Hospital Revenue (Phoenix Baptist Hospital) (MBIA Insured), 6.25%, 9/1/11 | 155,000 | 167,950 |
| Aaa | AAA | Pima County Industrial Development Authority Revenue (Refunding Bonds), 5.625%, 4/1/14 | 250,000 | 272,545 |
| HOUSING: 1.1% | | | | |
| Aaa | nr | Maricopa County Industrial Development Authority, Single Family Mortgage Revenue, 4.3%, 12/1/06 | 65,000 | 66,421 |
| INDUSTRIAL DEVELOPMENT: 1.7% | | | | |
| Aaa | AAA | Phoenix Civic Improvement Corp. Excise Tax, 4.5%, 7/1/08 | 100,000 | 107,649 |

The Notes to Financial Statements are an integral part of these statements.

Arizona Fund • Portfolio of Investments • September 30, 2004 (concluded)

| CREDIT RATING* | | | PRINCIPAL | MARKET |
|---|-----|--|-----------|--------------------|
| MOODY'S | S&P | | AMOUNT | VALUE |
| LEASING AND OTHER FACILITIES: 23.9% | | | | |
| Aaa | AAA | Arizona Board of Regents Certificate Participation, (AMBAC Insured), 5.5%, 6/1/13 | \$320,000 | \$361,133 |
| Baa1 | nr | Arizona Tourism & Sports Authority Tax Revenue Bond, 5%, 7/1/16 | 100,000 | 103,135 |
| A1 | A | Greater Arizona Development Authority Infrastructure Revenue Bond, 4.85%, 8/1/20 | 300,000 | 309,102 |
| Aaa | nr | Maricopa County Public Corp. Lease Revenue Bond, (AMBAC Insured), 5.5%, 7/1/10 | 280,000 | 316,481 |
| Aaa | nr | Maricopa County Stadium Revenue Bond, (AMBAC Insured), 5.25%, 6/1/12 | 250,000 | 282,010 |
| Aaa | AAA | Rio Nuevo Multipurpose Facilities, Certificate Participation, (FGIC Insured), 4.5%, 7/1/08 | 125,000 | 134,561 |
| TRANSPORTATION: 14.5% | | | | |
| Aa3 | AA- | Arizona Transportation Board, Grant Antic, 5%, 7/1/13 | 135,000 | 150,556 |
| Aaa | AAA | Flagstaff Street and Highway User Revenue, Junior Lien (FGIC Insured), 5.9%, 7/1/10 | 500,000 | 577,035 |
| Aaa | AAA | Mesa Street and Highway Revenue Bond, (FSA Insured), 4%, 7/1/14 | 130,000 | 133,479 |
| Aaa | AAA | Phoenix Street and Highway User Revenue Bond (FGIC Insured), 5.25%, 7/1/10 | 50,000 | 56,000 |
| WATER AND SEWER: 8.8% | | | | |
| nr | AA | Buckeye Water and Sewer Improvements, 5.45%, 1/1/10 | 235,000 | 259,588 |
| Aaa | AAA | Mesa Recreational, Water and Sewer Improvements (FGIC Insured), 6.5%, 7/1/10 | 250,000 | 296,380 |
| TOTAL INVESTMENTS (Cost \$5,740,872) | | | | \$6,190,004 |
| CASH AND RECEIVABLES LESS LIABILITIES: | | | | |
| 1.9% of net assets | | | | 123,150 |
| NET ASSETS: 100% | | | | <u>\$6,313,154</u> |

The Notes to Financial Statements are an integral part of these statements.

Missouri Fund • Portfolio of Investments

CREDIT RATING*
MOODY'S S&P

PRINCIPAL
AMOUNT

MARKET
VALUE

LONG TERM MUNICIPAL BONDS: 97.2% of net assets

EDUCATION: 30.7%

| | | | | |
|-----|-----|---|-----------|-----------|
| Aaa | AAA | Jackson County Reorg School District #7, Lees Summit, (FSA Insured), 5.25%, 3/1/14 | \$300,000 | \$337,308 |
| Aa2 | nr | Jefferson County School District, 6.7%, 3/1/11 | 200,000 | 231,916 |
| Aaa | AAA | Mehlville School District R-9, Certificate Participation, (FSA Insured), 5%, 9/1/19 | 300,000 | 320,781 |
| nr | AA+ | Normandy School District General Obligation, 5.4%, 3/1/18 | 325,000 | 345,833 |
| Aa1 | AA+ | North Kansas City School District, 4.25%, 3/1/16 | 300,000 | 311,817 |
| Aa1 | AA+ | Platte County School District Park Hill, 5.5%, 3/1/14 | 300,000 | 321,750 |
| nr | AA+ | Polk County School District R-1 Bolivar, 5%, 3/1/21 | 110,000 | 117,924 |
| Aaa | AAA | St. Louis Board of Education, 5.5%, 4/1/10 | 275,000 | 311,190 |
| Aaa | AAA | St. Louis County Pattonville R-3 School District (FGIC Insured), 5.75%, 3/1/16 | 200,000 | 230,142 |

GENERAL OBLIGATION: 13.8%

| | | | | |
|------|-----|---|---------|---------|
| Aa2 | nr | Lees Summit, 4.7%, 4/1/21 | 325,000 | 335,796 |
| Aaa | AAA | Missouri State (Fourth State Building), 5.75%, 8/1/19 | 200,000 | 214,094 |
| Baa1 | A- | Puerto Rico Commonwealth Public Improvement, 6.5%, 7/1/14 | 480,000 | 588,149 |

HOSPITAL: 3.8%

| | | | | |
|-----|-----|---|---------|---------|
| Aa2 | AA+ | Missouri State Certificate Participation, Rehabilitation Center, 6%, 11/1/15 | 115,000 | 119,878 |
| Aaa | AAA | Missouri State Health & Educational Facilities Revenue, (MBIA Insured) 6.4%, 6/1/10 | 165,000 | 193,599 |

HOUSING: 8.9%

| | | | | |
|-----|------|--|---------|---------|
| Aa3 | AA | Puerto Rico Housing Finance Authority, 4.5%, 12/1/09 | 150,000 | 160,003 |
| nr | AAA# | St. Louis County Mortgage Revenue (AMT), 5.65%, 2/1/20 | 500,000 | 570,300 |

The Notes to Financial Statements are an integral part of these statements.

Missouri Fund • Portfolio of Investments • September 30, 2004 (concluded)

| <u>CREDIT RATING*</u> <u>MOODY'S</u> | <u>S&P</u> | | <u>PRINCIPAL AMOUNT</u> | <u>MARKET VALUE</u> |
|---|----------------|--|-----------------------------|-------------------------|
| <u>LEASING AND OTHER FACILITIES: 30.1%</u> | | | | |
| A1 | nr | Greene County Certificate Participation, 5.25%, 7/1/11 | \$300,000 | \$331,662 |
| Aa3 | nr | Jackson County Missouri, Public Building Corp. Leasehold Revenue, 5.1%, 11/1/12 | 200,000 | 217,996 |
| Aaa | AAA | Missouri Development Financial Board Cultural Facilities Revenue Bond, (MBIA Insured), 5.25%, 1/1/17 | 350,000 | 384,969 |
| Baa1 | BBB+ | Missouri Development Financial Board Infrastructure Facilities Revenue Bond, 4.3%, 12/1/12 | 225,000 | 227,770 |
| Aa1 | AA+ | Missouri State Board Public Buildings, 4%, 12/1/10 | 75,000 | 79,184 |
| Aaa | AAA | Springfield Public Building Corp. Leasehold Revenue Bond, 5.8%, 6/1/13 | 275,000 | 312,774 |
| Aa3 | nr | Springfield Public Building Corp. Leasehold Revenue Bond, 4.7%, 5/1/12 | 175,000 | 188,081 |
| Aaa | nr | St Louis Municipal Finance Corporation, Leasehold Revenue Bond (AMBAC Insured), 5.75%, 2/15/17 | 300,000 | 339,297 |
| Aaa | AAA | St Louis Parking Facilities Revenue (MBIA Insured), 5.375%, 12/15/21 | 375,000 | 397,478 |
| <u>POLLUTION CONTROL REVENUE: 3.0%</u> | | | | |
| A1 | A+ | St Louis Industrial Development Authority Pollution Control Revenue, 6.65%, 5/1/16 | 200,000 | 248,076 |
| <u>TRANSPORTATION: 5.1%</u> | | | | |
| Aa2 | AA | Missouri State Highway & Transportation, Street & Road Revenue, 5.25%, 2/1/20 | 250,000 | 271,213 |
| nr | AA- | Platte County Industrial Development Authority, Zona Rosa Retail Project, 3.75%, 12/1/13 | 150,000 | 149,304 |
| <u>WATER AND SEWER: 1.8%</u> | | | | |
| Aaa | nr | Jefferson County Public Water Supply District Number C-1 (AMBAC Insured), 5.25%, 12/1/16 | 130,000 | 145,427 |
| TOTAL INVESTMENTS (Cost \$7,374,319) | | | | \$8,003,711 |
| CASH AND RECEIVABLES LESS LIABILITIES: 2.8% of net assets | | | | 231,010 |
| NET ASSETS: 100% | | | | <u>\$8,234,721</u> |

The Notes to Financial Statements are an integral part of these statements.

Virginia Fund • Portfolio of Investments

CREDIT RATING*
MOODY'S S&P

PRINCIPAL
AMOUNT

MARKET
VALUE

LONG TERM MUNICIPAL BONDS: 98.7% of net assets

EDUCATION: 10.2%

| | | | | |
|-----|-----|---|-----------|-----------|
| A2 | nr | Loudoun County Industrial Development Authority, University Facilities Revenue (George Washington University), 6.25%, 5/15/22 | \$500,000 | \$514,140 |
| nr | A | Roanoke County Industrial Development Authority, (Hollins College), 5.25%, 3/15/23 | 900,000 | 946,179 |
| Aa2 | AA | Virginia College Building Authority, Educational Facilities Revenue (Washington And Lee University), 5.75%, 1/1/14 | 20,000 | 20,415 |
| Aaa | AAA | Virginia Polytech Institute & State University Revenue, 5%, 6/1/14 | 775,000 | 870,193 |
| A1 | AA- | Virginia State Universities, University Revenue (Virginia Commonwealth University), 5.75%, 5/1/15 | 500,000 | 521,910 |

GENERAL OBLIGATION: 26.9%

| | | | | |
|------|-----|---|-----------|-----------|
| Aaa | AAA | Alexandria, 5%, 1/1/16 | 200,000 | 226,474 |
| Aaa | AAA | Arlington County, 5%, 2/1/19 | 250,000 | 266,272 |
| Aaa | AAA | Culpepper County, 6%, 1/15/21 | 500,000 | 581,220 |
| Aaa | AAA | Leesburg, (AMBAC Insured), 5.6%, 6/1/15 | 500,000 | 523,145 |
| Aaa | AA+ | Loudoun County, 5.25%, 5/1/13 | 750,000 | 846,195 |
| Aaa | AA+ | Loudoun County, 5%, 10/1/13 | 500,000 | 563,165 |
| Aa3 | AA | Lynchburg, 5.7%, 6/1/25 | 1,170,000 | 1,282,179 |
| Aa2 | AA | Newport News, 5%, 5/1/18 | 820,000 | 893,005 |
| A1 | nr | Prince George County, 4.5%, 8/1/12 | 400,000 | 429,412 |
| Baa1 | A- | Puerto Rico Commonwealth, 6.5%, 7/1/14 | 1,115,000 | 1,366,221 |
| Aa1 | AA+ | Virginia Beach, 5%, 3/1/12 | 540,000 | 602,003 |

HOSPITAL: 10.1%

| | | | | |
|------|-----|--|---------|---------|
| A2 | nr | Arlington County Industrial Development Authority, Hospital Facilities Revenue Bond, 5.5%, 7/1/15 | 200,000 | 215,400 |
| Aaa# | AAA | Danville Industrial Development Authority, Hospital Revenue (Danville Regional Medical Center) (FGIC Insured) (Prerefunded 10/1/04 @ 101), 6.375%, 10/1/14 | 350,000 | 353,500 |
| Aaa | AAA | Danville Industrial Development Authority, Hospital Revenue (Danville Regional Medical Center) (AMBAC Insured) 5%, 10/1/10 | 250,000 | 274,633 |
| Aaa | AAA | Hanover County Industrial Development Authority, Revenue Bon Secours Health System (MBIA Insured), 6%, 8/15/10 | 640,000 | 739,488 |

The Notes to Financial Statements are an integral part of these statements.

Virginia Fund • Portfolio of Investments • September 30, 2004 (continued)

| CREDIT RATING* MOODY'S | S&P | | PRINCIPAL AMOUNT | MARKET VALUE |
|---|-----|--|---------------------|-----------------|
| HOSPITAL: continued | | | | |
| Aaa# | nr | Prince William County Industrial Development Authority, Hospital Revenue, (Prerefunded 10/1/05 @ 102), 6.85%, 10/1/25 | \$ 85,000 | \$ 91,105 |
| Aaa | AAA | Roanoke Industrial Development Authority, Hospital Revenue (Carilion Health Systems) (MBIA Insured), 5.5%, 7/1/16 | 500,000 | 568,705 |
| Aaa | AAA | Roanoke Industrial Development Authority, Hospital Revenue (Roanoke Memorial Hospitals) (MBIA Insured), 6.125%, 7/1/17 | 500,000 | 608,005 |
| HOUSING: 6.8% | | | | |
| nr | AAA | Fairfax County Redevelopment & Housing Authority, Multi-Family Housing Revenue (Castel Lani Project) (FHA Insured), 5.5%, 4/1/28 | 425,000 | 438,379 |
| Aa3 | AA | Puerto Rico Housing Finance Authority, 4.5%, 12/1/09 | 150,000 | 160,003 |
| nr | AAA | Suffolk Redevelopment & Housing Authority, Multi-Family Housing Revenue, 5.6%, 2/1/33 | 1,250,000 | 1,320,488 |
| INDUSTRIAL DEVELOPMENT: 3.9% | | | | |
| Aaa | nr | Fairfax County Economic Development Authority (National Wildlife Assoc.), 5.25%, 9/1/19 | 1,000,000 | 1,085,710 |
| LEASING AND OTHER FACILITIES: 9.8% | | | | |
| Aa1 | AA+ | Arlington County Industrial Development Authority Lease Revenue, 5%, 8/1/14 | 500,000 | 560,095 |
| Aaa | AAA | Portsmouth Industrial Development Authority Revenue, Hotel Conference Center & Parking, 5.125%, 4/1/17 | 1,000,000 | 1,071,210 |
| Aaa | nr | Richmond Industrial Development Authority Government Facilities, 5%, 7/15/13 | 1,000,000 | 1,122,920 |
| MUNICIPAL OTHER: 16.1% | | | | |
| A3 | A- | Greater Richmond Convention Center Expansion, 5.5%, 6/15/10 | 800,000 | 889,328 |
| nr | A | Hampton Museum Revenue, 3.25%, 1/1/10 | 400,000 | 395,616 |
| Aaa | AAA | Southeastern Public Service Authority Revenue, 5%, 7/1/15 | 1,000,000 | 1,122,780 |
| Aaa | AAA | Southwest Regional Jail Authority Revenue, (MBIA Insured), 4.5% 9/1/10 | 1,000,000 | 1,078,920 |
| Aa1 | AA+ | Virginia State Public Building Authority, Public Facilities Revenue, 5%, 8/1/18 | 1,000,000 | 1,050,260 |

The Notes to Financial Statements are an integral part of these statements.

Virginia Fund • Portfolio of Investments • September 30, 2004 (concluded)

| CREDIT RATING* | | | PRINCIPAL | MARKET |
|---|-----|--|-----------|---------------------|
| MOODY'S | S&P | | AMOUNT | VALUE |
| TRANSPORTATION: 4.4% | | | | |
| Aaa | AAA | Richmond Metropolitan Authority Expressway Revenue, (FGIC Insured), 5.25%, 7/15/12 | \$350,000 | \$396,977 |
| Aa2 | AA | Virginia State Resources Authority Infrastructure Revenue, 4.75%, 5/1/17 | 800,000 | 850,120 |
| WATER & WASTE: 10.5% | | | | |
| Aaa | AAA | Frederick Regional Sewer System Revenue, (AMBAC), 5%, 10/1/15 | 570,000 | 641,341 |
| Aaa | AAA | Henry County Water & Sewer Revenue, (FSA Insured), 5.25%, 11/15/16 | 700,000 | 802,480 |
| Aaa | AAA | Stafford County Water & Sewer Revenue, (FSA Insured), 4.5%, 6/1/11 | 335,000 | 364,048 |
| Aaa | AAA | Upper Occoquan Sewer; Regional Sewer Revenue, (MBIA Insured), 5.15%, 7/1/20 | 1,000,000 | 1,134,550 |
| TOTAL INVESTMENTS (Cost \$26,278,652) | | | | \$27,788,189 |
| CASH AND RECEIVABLES LESS LIABILITIES: | | | | |
| 1.3% of net assets | | | | 368,485 |
| NET ASSETS: 100% | | | | <u>\$28,156,674</u> |

The Notes to Financial Statements are an integral part of these statements.

National Fund • Portfolio of Investments

| CREDIT RATING* MOODY'S S&P | | | PRINCIPAL AMOUNT | MARKET VALUE |
|---|-----|--|---------------------|-----------------|
| LONG TERM MUNICIPAL BONDS: 98.5% of net assets | | | | |
| ARIZONA: 8.2% | | | | |
| Aa3 | AA- | Arizona Transportation Board, Grant Antic, 5%, 7/1/13 | \$100,000 | \$111,523 |
| Aaa | AAA | Maricopa County Unified School District #48 Scottsdale, (FSA), 5%, 7/1/15 | 500,000 | 558,085 |
| Aaa | AAA | Rio Nuevo Multipurpose Facilities, Certificate Participation, (FGIC Insured), 4.5%, 7/1/08 | 1,100,000 | 1,184,139 |
| COLORADO: 4.9% | | | | |
| Aaa | nr | El Paso County School District #020, 5%, 12/15/16 | 1,005,000 | 1,111,460 |
| FLORIDA: 10.8% | | | | |
| Aaa | nr | First Florida Government Community Revenue Bond, (AMBAC Insured), 5.5%, 7/1/16 | 1,000,000 | 1,165,920 |
| Aaa | AAA | Palm Beach County Solid Waste Authority Revenue Bond, (AMBAC Insured), 6%, 10/1/10 | 1,100,000 | 1,271,182 |
| ILLINOIS: 10.6% | | | | |
| Aaa | nr | Grundy County School District #054, General Obligation, (AMBAC Insured), 8.35%, 12/1/07 | 720,000 | 853,272 |
| Aaa | AAA | Regional Illinois Transportation Authority, Transit Revenue (AMBAC Insured), 7.2%, 11/1/20 | 300,000 | 390,990 |
| Aaa | AAA | University of Illinois Certificates, Utility Infrastructure Projects (MBIA Insured), 5.75%, 8/15/09 | 1,000,000 | 1,137,060 |
| INDIANA: 2.7% | | | | |
| Aaa | AAA | Indiana Bond Bank, 5.75%, 8/1/13 | 550,000 | 615,587 |
| KANSAS: 2.6% | | | | |
| Aa2 | AA+ | Kansas State Department of Transportation, Hwy Revenue, 6.125%, 9/1/09 | 500,000 | 579,170 |
| MARYLAND: 1.6% | | | | |
| Aa1 | AA+ | Anne Arundel County, Solid Waste Projects (AMT), 5.5%, 9/1/16 | 100,000 | 106,403 |
| Aa2 | AA | Frederick County, 5.1%, 12/1/17 | 75,000 | 81,371 |
| Aaa | AAA | Maryland State, 5%, 7/15/11 | 50,000 | 54,922 |
| Aaa# | AAA | Maryland State Transportation Authority, Transportation Facilities Project Revenue, 6.8%, 7/1/16 | 95,000 | 114,788 |

The Notes to Financial Statements are an integral part of these statements.

National Fund • Portfolio of Investments • September 30, 2004 (continued)

| CREDIT RATING* | | | PRINCIPAL | MARKET |
|-----------------------------|-----|--|-------------|-------------|
| MOODY'S | S&P | | AMOUNT | VALUE |
| MASSACHUSETTS: 5.5% | | | | |
| Aa2 | AA | Massachusetts Bay Transportation Authority, Transit Revenue, 7%, 3/1/14 | \$1,000,000 | \$1,240,110 |
| MICHIGAN: 2.0% | | | | |
| Aaa | AAA | Redford United School District, (AMBAC Insured), 5%, 5/1/22 | 410,000 | 449,926 |
| MINNESOTA: 0.4% | | | | |
| Aa1 | AA+ | Minnesota State Housing Finance Agency, Housing Revenue (Single-Family Mortgage) (AMT), 6.25%, 7/1/26 | 95,000 | 97,644 |
| MISSISSIPPI: 5.9% | | | | |
| Aaa | AAA | Harrison County Wastewater Management District, Sewer Revenue, (Wastewater Treatment Facilities) (FGIC Insured), 7.75%, 2/1/14 | 500,000 | 658,860 |
| Aaa | AAA | Harrison County Wastewater Management District, Sewer Revenue, (Wastewater Treatment Facilities) (FGIC Insured), 8.5%, 2/1/13 | 500,000 | 676,085 |
| MISSOURI: 4.9% | | | | |
| Aa1 | AA+ | Missouri State Health & Educational Facilities Authority Revenue Bond, 5%, 11/1/09 | 1,000,000 | 1,108,320 |
| NEW JERSEY: 9.8% | | | | |
| Aaa | AAA | New Jersey State Transportation Transit Fund Authority, 5.5%, 12/15/17 | 1,000,000 | 1,170,520 |
| Aaa# | AAA | New Jersey State Turnpike Authority Revenue, 6.5%, 1/1/16 | 850,000 | 1,043,222 |
| NORTH CAROLINA: 2.5% | | | | |
| Aaa | AAA | Macon County, 5%, 6/1/13 | 500,000 | 560,725 |
| NORTH DAKOTA: 2.4% | | | | |
| Baa2 | nr | Grand Forks Health Care Systems Revenue Bond, 7.125%, 8/15/24 | 500,000 | 544,355 |
| PENNSYLVANIA: 5.8% | | | | |
| Aaa | AAA | Lehigh County General Obligation (Lehigh Valley Hospital) (MBIA Insured), 7%, 7/1/16 | 1,000,000 | 1,283,120 |

The Notes to Financial Statements are an integral part of these statements.

National Fund • Portfolio of Investments • September 30, 2004 (concluded)

| CREDIT RATING* MOODY'S S&P | | | PRINCIPAL AMOUNT | MARKET VALUE |
|---|-----|---|---------------------|---------------------|
| PUERTO RICO: 1.4% | | | | |
| Baa1 | A- | Puerto Rico Commonwealth, 6.5%, 7/1/14 | \$85,000 | \$104,151 |
| Aa3 | AA | Puerto Rico Housing Finance Authority, 4.5%, 12/1/09 | 200,000 | 213,338 |
| TEXAS: 12.4% | | | | |
| Aaa | AAA | Lower Colorado River Authority, Utility Revenue, (AMBAC Insured), 6.0%, 1/1/17 | 305,000 | 370,834 |
| Aaa | AAA | North Forest Independent School District, 6%, 8/15/11 | 1,050,000 | 1,227,660 |
| Aaa# | AAA | Texas Public Building Authority, Building Revenue (MBIA Insured), 7.125%, 8/1/11 | 1,000,000 | 1,186,280 |
| VIRGINIA: 2.6% | | | | |
| Aaa | AAA | Hanover County Industrial Development Authority Hospital (Bon Secours Health Systems) (MBIA Insured), 6%, 8/15/10 | 500,000 | 577,725 |
| WASHINGTON: 1.5% | | | | |
| Aaa | AAA | King County School District #415 Kent, (FSA Insured) 5.5%, 6/1/16 | 300,000 | 347,343 |
| TOTAL INVESTMENTS (Cost \$20,513,224) | | | | \$22,196,090 |
| CASH AND RECEIVABLES LESS LIABILITIES: | | | | |
| 1.5% of net assets | | | | 329,503 |
| NET ASSETS: 100% | | | | <u>\$22,525,593</u> |

The Notes to Financial Statements are an integral part of these statements.

NOTES TO PORTFOLIOS OF INVESTMENTS:

| | |
|---------|--|
| ^ | Security has a variable coupon rate and/or is subject to a demand feature before final maturity. Coupon rate as of September 30, 2004. |
| # | Refunded or escrowed to maturity |
| AMBAC | American Municipal Bond Assurance Corporation |
| AMT | Subject to Alternative Minimum Tax |
| FGIC | Financial Guaranty Insurance Company |
| FHA | Federal Housing Administration |
| FSA | Federal Security Assistance |
| GNMA | Government National Mortgage Association |
| LOC | Letter of Credit |
| MBIA | Municipal Bond Investors Assurance Corporation |
| MOODY'S | Moody's Investors Service, Inc. |
| nr | Not rated |
| PSF | Permanent School Fund |
| S&P | Standard & Poor's Corporation |
| * | Credit ratings are unaudited |
| + | Aggregate cost for federal income tax purposes as of September 30, 2004. |

The Notes to Financial Statements are an integral part of these statements.

Statements of Assets and Liabilities

| | Arizona Fund | Missouri Fund | Virginia Fund | National Fund |
|---------------------------------------|--------------------|--------------------|---------------------|---------------------|
| ASSETS | | | | |
| Investments, at value (Note 1) | | | | |
| Long-term securities* | \$6,190,004 | \$8,003,711 | \$27,788,189 | \$22,196,090 |
| Cash | 48,969 | 335,541 | 9,056 | 54,838 |
| Interest receivable | 81,766 | 96,030 | 372,821 | 289,922 |
| Total assets | 6,320,739 | 8,435,282 | 28,170,066 | 22,540,850 |
| LIABILITIES | | | | |
| Payables | | | | |
| Long-term securities purchased | -- | 194,804 | -- | -- |
| Dividends | 5,590 | 3,762 | 6,800 | 5,631 |
| Capital shares redeemed | -- | -- | 3,598 | 6,632 |
| Independent trustee and auditor fees | 1,995 | 1,995 | 2,994 | 2,994 |
| Total Liabilities | 7,585 | 200,561 | 13,392 | 15,257 |
| NET ASSETS (Note 6) | \$6,313,154 | \$8,234,721 | \$28,156,674 | \$22,525,593 |
| CAPITAL SHARES OUTSTANDING | 582,348 | 744,945 | 2,361,936 | 1,985,024 |
| NET ASSET VALUE PER SHARE | \$ 10.84 | \$ 11.05 | \$ 11.92 | \$ 11.35 |
| *LONG-TERM SECURITIES, AT COST | \$5,740,872 | \$7,374,319 | \$26,278,652 | \$20,513,224 |

The Notes to Financial Statements are an integral part of these statements.

Statements of Operations

For the year ended September 30, 2004

| | Arizona Fund | Missouri Fund | Virginia Fund | National Fund |
|---|------------------|------------------|-------------------|-------------------|
| INVESTMENT INCOME (Note 1) | | | | |
| Interest income | \$295,992 | \$360,579 | \$1,265,583 | \$1,008,835 |
| EXPENSES (Notes 2 and 3) | | | | |
| Investment advisory fees | 40,646 | 49,695 | 178,873 | 144,201 |
| Other expenses | | | | |
| Service agreement fees | 28,900 | 34,273 | 108,394 | 98,073 |
| Independent trustee and auditor fees | 2,311 | 2,311 | 3,467 | 3,467 |
| Total other expenses | 31,211 | 36,584 | 111,861 | 101,540 |
| Total expenses | <u>71,857</u> | <u>86,279</u> | <u>290,734</u> | <u>245,741</u> |
| NET INVESTMENT INCOME | 224,135 | 274,300 | 974,849 | 763,094 |
| REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS | | | | |
| Net realized gain on investments | 26,223 | 8,275 | 179,191 | 120,103 |
| Change in net unrealized depreciation of investments | <u>(97,901)</u> | <u>(29,885)</u> | <u>(203,250)</u> | <u>(327,787)</u> |
| NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS | <u>(71,678)</u> | <u>(21,610)</u> | <u>(24,059)</u> | <u>(207,684)</u> |
| TOTAL INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | <u>\$152,457</u> | <u>\$252,690</u> | <u>\$ 950,790</u> | <u>\$ 555,410</u> |

The Notes to Financial Statements are an integral part of these statements.

Statements of Changes in Net Assets

For the year ended September 30

| | Arizona Fund | | Missouri Fund | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2004 | 2003 | 2004 | 2003 |
| INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | | | | |
| Net investment income | \$ 224,135 | \$ 223,924 | \$ 274,300 | \$ 283,043 |
| Net realized gain (loss) on investments | 26,223 | (1,504) | 8,275 | 90,168 |
| Net unrealized appreciation (depreciation) on investments | (97,901) | (29,725) | (29,885) | (215,557) |
| Total increase in net assets resulting from operations | 152,457 | 192,695 | 252,690 | 157,654 |
| DISTRIBUTIONS TO SHAREHOLDERS | | | | |
| From net investment income | (224,135) | (223,924) | (274,300) | (283,043) |
| From net capital gains | -- | -- | -- | -- |
| Total distributions | (224,135) | (223,924) | (274,300) | (283,043) |
| CAPITAL SHARE TRANSACTIONS (Note 8) | (220,245) | (164,632) | 415,569 | (602,951) |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | (291,923) | (195,861) | 393,959 | (728,340) |
| NET ASSETS | | | | |
| Beginning of year | <u>\$6,605,077</u> | <u>\$6,800,938</u> | <u>\$7,840,762</u> | <u>\$8,569,102</u> |
| End of year | <u>\$6,313,154</u> | <u>\$6,605,077</u> | <u>\$8,234,721</u> | <u>\$7,840,762</u> |

The Notes to Financial Statements are an integral part of these statements.

Statements of Changes in Net Assets (concluded)

| | Virginia Fund | | National Fund | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2004 | 2003 | 2004 | 2003 |
| INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | | | | |
| Net investment income | \$974,849 | \$1,114,430 | \$ 763,094 | \$ 800,531 |
| Net realized gain on investments | 179,191 | 322,133 | 120,103 | 232,568 |
| Net unrealized depreciation of investments . . | (203,250) | (434,157) | (327,787) | (411,304) |
| Total increase in net assets resulting from operations | 950,790 | 1,002,406 | 555,410 | 621,795 |
| DISTRIBUTIONS TO SHAREHOLDERS | | | | |
| From net investment income | (974,849) | (1,114,430) | (763,094) | (800,531) |
| From net capital gains | (332,133) | (117,232) | -- | -- |
| Total distributions | (1,306,982) | (1,231,662) | (763,094) | (800,531) |
| CAPITAL SHARE TRANSACTIONS (Note 8) | (1,168,003) | (170,024) | (755,845) | (606,280) |
| TOTAL DECREASE IN NET ASSETS | (1,524,195) | (399,280) | (963,529) | (785,016) |
| NET ASSETS | | | | |
| Beginning of year | <u>\$29,680,869</u> | <u>\$30,080,149</u> | <u>\$23,489,122</u> | <u>\$24,274,138</u> |
| End of year | <u>\$28,156,674</u> | <u>\$29,680,869</u> | <u>\$22,525,593</u> | <u>\$23,489,122</u> |

The Notes to Financial Statements are an integral part of these statements.

Financial Highlights

Selected data for a share outstanding for the periods indicated.

ARIZONA FUND

| | Year Ended September 30, | | | | |
|--|--------------------------|---------------|---------------|---------------|---------------|
| | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> |
| Net asset value, beginning of year | \$10.96 | \$11.00 | \$10.63 | \$10.06 | \$10.03 |
| Investment operations: | | | | | |
| Net investment income | 0.37 | 0.38 | 0.39 | 0.42 | 0.45 |
| Net realized and unrealized gain (loss) on investments | <u>(0.12)</u> | <u>(0.04)</u> | <u>0.37</u> | <u>0.57</u> | <u>0.03</u> |
| Total from investment operations | 0.25 | 0.34 | 0.76 | 0.99 | 0.48 |
| Less distributions from net investment income | <u>(0.37)</u> | <u>(0.38)</u> | <u>(0.39)</u> | <u>(0.42)</u> | <u>(0.45)</u> |
| Net asset value, end of year | \$10.84 | \$10.96 | \$11.00 | \$10.63 | \$10.06 |
| Total return (%) | 2.38 | 3.17 | 7.37 | 10.01 | 4.93 |
| Ratios and supplemental data | | | | | |
| Net assets, end of year (in thousands) | \$6,313 | \$6,605 | \$6,801 | \$6,883 | \$6,451 |
| Ratio of expenses to average net assets (%) | 1.11 | 1.11 | 1.11 | 1.10 | 1.12 |
| Ratio of net investment income to average net assets (%) | 3.45 | 3.47 | 3.69 | 4.01 | 4.53 |
| Portfolio turnover (%) | 3 | 5 | 15 | 20 | 29 |

MISSOURI FUND

| | Year Ended September 30, | | | | |
|--|--------------------------|---------------|---------------|---------------|---------------|
| | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> |
| Net asset value, beginning of year | \$11.08 | \$11.24 | \$10.72 | \$10.17 | \$10.12 |
| Investment operations: | | | | | |
| Net investment income | 0.38 | 0.40 | 0.41 | 0.43 | 0.44 |
| Net realized and unrealized gain (loss) on investments | <u>(0.03)</u> | <u>(0.16)</u> | <u>0.52</u> | <u>0.55</u> | <u>0.05</u> |
| Total from investment operations | 0.35 | 0.24 | 0.93 | .98 | 0.49 |
| Less distributions from net investment income | <u>(0.38)</u> | <u>(0.40)</u> | <u>(0.41)</u> | <u>(0.43)</u> | <u>(0.44)</u> |
| Net asset value, end of year | \$11.05 | \$11.08 | \$11.24 | \$10.72 | \$10.17 |
| Total return (%) | 3.23 | 2.24 | 8.96 | 9.79 | 5.03 |
| Ratios and supplemental data | | | | | |
| Net assets, end of year (in thousands) | \$8,235 | \$7,841 | \$8,569 | \$7,943 | \$7,321 |
| Ratio of expenses to average net assets (%) | 1.08 | 1.09 | 1.08 | 1.08 | 1.09 |
| Ratio of net investment income to average net assets (%) | 3.45 | 3.63 | 3.85 | 4.06 | 4.43 |
| Portfolio turnover (%) | 2 | 17 | 21 | 16 | 26 |

The Notes to Financial Statements are an integral part of these statements.

Financial Highlights (concluded)

Selected data for a share outstanding for the periods indicated.

VIRGINIA FUND

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|--|---------------|---------------|-------------|-------------|-------------|
| Net asset value, beginning of year | \$12.06 | \$12.16 | \$11.70 | \$11.14 | \$11.13 |
| Investment operations: | | | | | |
| Net investment income | 0.41 | 0.45 | 0.48 | 0.49 | 0.50 |
| Net realized and unrealized gain (loss) on investments | <u>--</u> | <u>(0.05)</u> | <u>0.46</u> | <u>0.56</u> | <u>0.01</u> |
| Total from investment operations | 0.41 | 0.94 | 1.05 | 0.51 | |
| Less distribution from: | | | | | |
| net investment income | (0.41) | (0.45) | (0.48) | (0.49) | (0.50) |
| net capital gains | <u>(0.14)</u> | <u>(0.05)</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Total distributions | (0.55) | (0.50) | (0.48) | (0.49) | (0.50) |
| Net asset value, end of year | \$11.92 | \$12.06 | \$12.16 | \$11.70 | \$11.14 |
| Total return (%) | 3.46 | 3.35 | 8.22 | 9.62 | 4.78 |
| Ratios and supplemental data | | | | | |
| Net assets, end of year (in thousands) | \$28,157 | \$29,681 | \$30,080 | \$29,747 | \$28,526 |
| Ratio of expenses to average net assets (%) | 1.02 | 1.01 | 1.01 | 1.01 | 1.02 |
| Ratio of net investment income to average net assets (%) | 3.41 | 3.72 | 4.05 | 4.26 | 4.60 |
| Portfolio turnover (%) | 16 | 31 | 27 | 38 | 24 |

NATIONAL FUND

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|--|---------------|---------------|---------------|---------------|---------------|
| Net asset value, beginning of year | \$11.45 | \$11.53 | \$10.97 | \$10.43 | \$10.30 |
| Investment operations: | | | | | |
| Net investment income | 0.38 | 0.38 | 0.41 | 0.49 | 0.42 |
| Net realized and unrealized gain (loss) on investments | <u>(0.10)</u> | <u>(0.08)</u> | <u>0.56</u> | <u>0.54</u> | <u>0.13</u> |
| Total from investment operations | 0.28 | 0.30 | 0.97 | 1.03 | 0.55 |
| Less distribution from | | | | | |
| net investment income | <u>(0.38)</u> | <u>(0.38)</u> | <u>(0.41)</u> | <u>(0.49)</u> | <u>(0.42)</u> |
| Net asset value, end of year | \$11.35 | \$11.45 | \$11.53 | \$10.97 | \$10.43 |
| Total return (%) | 2.47 | 2.72 | 9.08 | 10.03 | 5.53 |
| Ratios and supplemental data | | | | | |
| Net assets, end of year (in thousands) | \$22,526 | \$23,489 | \$24,274 | \$24,417 | \$21,951 |
| Ratio of expenses to average net assets (%) | 1.07 | 1.07 | 1.07 | 1.06 | 1.07 |
| Ratio of net investment income to average net assets (%) | 3.31 | 3.37 | 3.70 | 4.48 | 4.15 |
| Portfolio turnover (%) | 28 | 21 | 56 | 53 | 78 |

The Notes to Financial Statements are an integral part of these statements.

Notes to Financial Statements

For the year ended September 30, 2004

1. Summary of Significant Accounting Policies.

Mosaic Tax-Free Trust (the "Trust") is registered with the Securities and Exchange Commission under the Investment Company Act of 1940 as an open-end, diversified investment management company. The Trust maintains four separate funds (described in the following sentences and defined as the "Funds") which invest principally in securities exempt from federal income taxes, commonly known as "municipal" securities. The Arizona, Missouri and Virginia Funds (the "State Funds") invest solely in securities exempt from both federal and state income taxes in their respective states. The National Fund invests in securities exempt from federal taxes. The National Fund and the State Funds invest in intermediate and long-term securities. Because the Trust is 100% no-load, the shares of each fund are offered and redeemed at the net asset value per share.

Securities Valuation: The State and National Funds value securities having maturities of 60 days or less at amortized cost, which approximates market value. Securities having longer maturities, for which market quotations are readily available are valued at the mean between their bid and ask prices. Securities for which market quotations are not readily available are valued at their fair value as determined in good faith under procedures approved by the Board of Trustees.

Investment Transactions: Investment transactions are recorded on a trade date basis. The cost of investments sold is determined on the identified cost basis for financial statement and federal income tax purposes.

Investment Income: Interest income is recorded on an accrual basis. Bond premium is amortized and original issue discount and

market discount are accreted over the expected life of each applicable security using the effective interest method.

Distribution of Income and Gains: Net investment income, determined as gross investment income less total expenses, is declared as a regular dividend monthly. Dividends are distributed to shareholders or reinvested in additional shares as of the close of business at the end of each month. Capital gain distributions, if any, are declared and paid annually at year-end. Additional distributions may be made if necessary. Distributions paid during the years ended September 30, 2004 and 2003 were identical for book purposes and tax purposes.

The tax character of distributions paid for the years ended September 30, 2004 and 2003 for the Virginia Fund was \$0 short-term and \$332,133 long-term and \$2,174 short-term and \$115,058 long-term, respectively. The Arizona, Missouri and National Funds distributed no taxable short-term or long-term capital gains for the years ended September 30, 2004 and 2003.

As of September 30, 2004 the components of distributable earnings on a tax basis were as follows:

Arizona Fund:

| | |
|--|-------------------|
| Accumulated net realized gains | \$ 2,081 |
| Net unrealized appreciation on investments | 449,132 |
| | <u>\$ 451,213</u> |

Missouri Fund:

| | |
|--|-------------------|
| Accumulated net realized losses | \$ (62,778) |
| Net unrealized appreciation on investments | 629,392 |
| | <u>\$ 566,614</u> |

Notes to Financial Statements (continued)

Virginia Fund:

| | |
|---|------------------|
| Accumulated net realized gains | \$ 169,191 |
| Net unrealized appreciation on investments | <u>1,509,537</u> |
| | \$1,678,728 |

National Fund:

| | |
|---|------------------|
| Accumulated net realized losses | \$ (40,448) |
| Net unrealized appreciation on investments | <u>1,682,866</u> |
| | \$1,642,418 |

Net realized gains or losses may differ for financial and tax reporting purposes as a result of loss deferrals related to wash sales and post-October transactions.

Income Tax: No provision is made for Federal income taxes since it is the intention of the Funds to comply with the provisions of the Internal Revenue Code available to investment companies and to make the requisite distribution to shareholders of taxable income which will be sufficient to relieve it from all or substantially all Federal Income Taxes. As of September 30, 2004, capital loss carryovers available to offset future capital gains for federal income tax purposes and the years they expire are as follows:

| | |
|------------------------|----------------------|
| Expiration Date | Missouri Fund |
| September 30, 2008 | \$62,778 |
| Expiration Date | National Fund |
| September 30, 2008 | \$40,448 |

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities and reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

2. Investment Advisory Fees and Other Transactions with Affiliates. The investment advisor to the Trust, Madison Mosaic, LLC, a wholly owned subsidiary of Madison Investment Advisors, Inc. (the "Advisor"), earns an advisory fee equal to 0.625% per annum of the average net assets of the Funds. The fees are accrued daily and are paid monthly.

3. Other Expenses. Under a separate Services Agreement, the Advisor will provide or arrange for each Fund to have all other necessary operational and support services for a fee based on a percentage of average net assets. This percentage was 0.48% for the Arizona Fund, 0.46% for the Missouri Fund, 0.39% for the Virginia Fund and 0.44% for the National Fund.

Effective May 13, 2004, the Trust began paying the expenses of the Trust's Independent Trustees and auditor ("Independent Service Providers") directly. Therefore, the Trust reduced the amount of fees paid to the Advisor prior to May 13, 2004 described above by the amounts paid directly to the Independent Service Providers. Through September 30, 2004, the reduced services fee was as follows: 0.39% for the Arizona Fund; 0.39% for the Missouri Fund; 0.36% for the Virginia Fund and 0.40% for the National Fund. The amounts paid by each fund directly for Independent Service Providers fees was \$2,311, \$2,311, \$3,467 and \$3,467 for the Arizona, Missouri, Virginia and National Funds, respectively.

4. Fund Expenses.

Example: This Example is intended to help you understand your costs (in dollars) of investing in the Fund and to compare these costs with the costs of investing in other mutual funds. See footnotes 2 and 3 above for an explanation of the types of costs charged by the Funds.

Notes to Financial Statements (continued)

This Example is based on an investment of \$1,000 invested on April 1, 2004 and held for the six months ended September 30, 2004.

Actual Expenses

The table below titled “Based on Actual Total Return” provides information about actual account values and actual expenses. You may use the information provided in this table, together with the amount you invested, to

estimate the expenses that you paid over the period. To estimate the expenses you paid on your account, divide your ending account value by \$1,000 (for example, an \$8,500 ending account valued divided by \$1,000 = 8.5), then multiply the result by the number under the heading entitled “Expenses Paid During the Period.”

Based on Actual Total Return¹

| | Actual Total Return ² | Beginning Account Value | Ending Account Value | Annualized Expense Ratio ³ | Expenses Paid During the Period ³ |
|---------------|-------------------------------------|-------------------------------|----------------------------|---|--|
| Arizona Fund | 0.46% | \$1,000.00 | \$1,004.56 | 1.11% | \$5.46 |
| Missouri Find | 0.83% | \$1,000.00 | \$1,008.32 | 1.09% | \$5.36 |
| Virginia Fund | 1.22% | \$1,000.00 | \$1,012.16 | 1.02% | \$5.03 |
| National Fund | 0.81% | \$1,000.00 | \$1,008.08 | 1.07% | \$5.26 |

¹For the six months ended September 30, 2004
²Assumes reinvestment of all dividends and capital gains distributions, if any, at net asset value.
³Expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year; then divided by 366.

Hypothetical Example
for Comparison Purposes

The table below titled “Based on Hypothetical Total Return” provides information about hypothetical account values and hypothetical expenses based on the actual expense ratio and an assumed rate of return of 5.00% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use the information provided in this table to compare the ongoing costs of investing in the Fund and other funds. To do so, compare the 5.00% hypothetical example relating to the Fund

with the 5.00% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in both the actual and hypothetical total return tables include the service fees effective prior to May 13, 2004. This service fee was reduced May 13, 2004 in order to separately account for the Independent Service Providers costs which, subsequent to May 13, is a flat fee charged directly to each fund. The Independent Service Provider costs are not included in either the actual or hypothetical total return tables. See footnote 3 for a discussion of these costs.

Notes to Financial Statements (continued)

Based on Hypothetical Total Return¹

| | Hypothetical Annualized Total Return | Beginning Account Value | Ending Account Value | Annualized Expense Ratio ² | Expenses Paid During the Period ² |
|---------------|--|-------------------------------|----------------------------|---|--|
| Arizona Fund | 5.00% | \$1,000.00 | \$1,025.26 | 1.11% | \$5.59 |
| Missouri Find | 5.00% | \$1,000.00 | \$1,025.26 | 1.09% | \$5.49 |
| Virginia Fund | 5.00% | \$1,000.00 | \$1,025.26 | 1.02% | \$5.14 |
| National Fund | 5.00% | \$1,000.00 | \$1,025.26 | 1.07% | \$5.39 |

¹For the six months ended September 30, 2004

²Expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year; then divided by 366.

5. Aggregate Cost and Unrealized Appreciation.

The aggregate cost for federal income tax purposes and the net unrealized appreciation (depreciation) are stated as follows as of September 30, 2004:

| | Arizona Fund | Missouri Fund |
|-------------------------------|---------------------|---------------------|
| Aggregate Cost | <u>\$5,740,872</u> | <u>\$7,374,319</u> |
| Gross unrealized appreciation | 452,408 | 629,507 |
| Gross unrealized depreciation | <u>(3,276)</u> | <u>(115)</u> |
| Net unrealized appreciation | <u>\$ 449,132</u> | <u>\$ 629,392</u> |
| | Virginia Fund | National Fund |
| Aggregate Cost | <u>\$26,278,652</u> | <u>\$20,513,224</u> |
| Gross unrealized appreciation | 1,530,792 | 1,700,475 |
| Gross unrealized depreciation | <u>(21,255)</u> | <u>(17,609)</u> |
| Net unrealized appreciation | <u>\$ 1,509,537</u> | <u>\$ 1,682,866</u> |

6. Net Assets. At September 30, 2004, net assets included the following:

| | Arizona Fund | Missouri Fund |
|--|---------------------|---------------------|
| Paid in capital | \$5,861,941 | \$7,668,107 |
| Accumulated net realized gains (losses) | 2,081 | (62,778) |
| Net unrealized appreciation on investments | <u>449,132</u> | <u>629,392</u> |
| Total Net Assets | <u>\$6,313,154</u> | <u>\$8,234,721</u> |
| | Virginia Fund | National Fund |
| Paid in capital | \$26,477,946 | \$20,883,175 |
| Accumulated net realized gains (losses) | 169,191 | (40,448) |
| Net unrealized appreciation on investments | <u>1,509,537</u> | <u>1,682,866</u> |
| Total Net Assets | <u>\$28,156,674</u> | <u>\$22,525,593</u> |

Notes to Financial Statements (continued)

7. Investment Transactions. Purchases and sales of securities (excluding short-term securities) for the year ended September 30, 2004, were as follows:

| | Purchases | Sales |
|---------------|------------|------------|
| Arizona Fund | \$ 208,138 | \$ 673,448 |
| Missouri Fund | 613,423 | 153,000 |
| Virginia Fund | 4,610,988 | 5,901,412 |
| National Fund | 6,420,257 | 6,795,300 |

8. Capital Share Transactions. An unlimited number of capital shares, without par value, are authorized. Transactions in capital shares were as follows:

| | Year Ended September 30, | |
|--|--------------------------|---------------------|
| Arizona Fund | 2004 | 2003 |
| In Dollars | | |
| Shares sold | \$ 198,107 | \$ 441,441 |
| Shares issued in reinvestment of dividends | 158,003 | 162,775 |
| Total shares issued | 356,110 | 604,216 |
| Shares redeemed | (576,355) | (768,848) |
| Net decrease | <u>\$ (220,245)</u> | <u>\$ (164,632)</u> |

| | | |
|--|-----------------|-----------------|
| In Shares | | |
| Shares sold | 18,175 | 40,876 |
| Shares issued in reinvestment of dividends | 14,578 | 14,975 |
| Total shares issued | 32,753 | 55,851 |
| Shares redeemed | (53,050) | (71,281) |
| Net decrease | <u>(20,297)</u> | <u>(15,430)</u> |

| | Year Ended September 30, | |
|--|--------------------------|---------------------|
| Missouri Fund | 2004 | 2003 |
| In Dollars | | |
| Shares sold | \$ 448,565 | \$ 183,604 |
| Shares issued in reinvestment of dividends | 222,786 | 223,156 |
| Total shares issued | 671,351 | 406,760 |
| Shares redeemed | (255,782) | (1,009,711) |
| Net increase (decrease) | <u>\$ 415,569</u> | <u>\$ (602,951)</u> |

| | | |
|--|---------------|-----------------|
| In Shares | | |
| Shares sold | 40,768 | 16,654 |
| Shares issued in reinvestment of dividends | 20,271 | 20,316 |
| Total shares issued | 61,039 | 36,970 |
| Shares redeemed | (23,516) | (92,033) |
| Net increase (decrease) | <u>37,523</u> | <u>(55,063)</u> |

| | Year Ended September 30, | |
|--|--------------------------|---------------------|
| Virginia Fund | 2004 | 2003 |
| In Dollars | | |
| Shares sold | \$1,323,802 | \$3,139,443 |
| Shares issued in reinvestment of dividends | 1,195,785 | 1,121,658 |
| Total shares issued | 2,519,587 | 4,261,101 |
| Shares redeemed | 3,687,590 | (4,431,125) |
| Net decrease | <u>\$ (1,168,003)</u> | <u>\$ (170,024)</u> |

| | | |
|--|-----------------|-----------------|
| In Shares | | |
| Shares sold | 111,281 | 261,864 |
| Shares issued in reinvestment of dividends | 100,651 | 93,984 |
| Total shares issued | 211,932 | 355,848 |
| Shares redeemed | 310,466 | (369,794) |
| Net decrease | <u>(98,534)</u> | <u>(13,946)</u> |

Notes to Financial Statements (continued)

| National Fund | Year Ended September 30, | |
|--|--------------------------|---------------------|
| | 2004 | 2003 |
| In Dollars | | |
| Shares sold | \$2,724,523 | \$4,033,258 |
| Shares issued in reinvestment of dividends | <u>689,890</u> | <u>717,333</u> |
| Total shares issued | 3,414,413 | 4,750,591 |
| Shares redeemed | <u>(4,170,258)</u> | <u>(5,356,871)</u> |
| Net decrease | <u>\$ (755,845)</u> | <u>\$ (606,280)</u> |
| In Shares | | |
| Shares sold | 239,790 | 355,713 |
| Shares issued in reinvestment of dividends | <u>61,082</u> | <u>63,288</u> |
| Total shares issued | 300,872 | 419,001 |
| Shares redeemed | <u>(367,015)</u> | <u>(472,860)</u> |
| Net decrease | <u>(66,143)</u> | <u>(53,859)</u> |

Management Information

Independent Trustees

| Name, Address and Age | Position(s) Held with Fund | Term of Office and Length of Time Served | Principal Occupation(s) During Past 5 Years | Number of Portfolios in Fund Complex Overseen | Other Directorships Held |
|--|----------------------------|--|--|---|--|
| Philip E. Blake 550 Science Drive Madison, WI 53711 Born 11/7/1944 | Trustee | Indefinite Term since May 2001 | Retired investor; formerly publisher of Madison's Wisconsin State Journal newspaper. | All 12 Mosaic Funds | Madison Newspapers, Inc. of Madison, WI; Trustee of the Madison Claymore Covered Call Fund |
| James R. Imhoff, Jr. 550 Science Drive Madison, WI 53711 Born 5/20/1944 | Trustee | Indefinite Term since July 1996 | Chairman and CEO of First Weber Group, Inc. (real estate brokers) of Madison, WI. | All 12 Mosaic Funds | Trustee of the Madison Claymore Covered Call Fund |
| Lorence D. Wheeler 550 Science Drive Madison, WI 53711 Born 1/31/1938 | Trustee | Indefinite Term since July 1996 | Retired investor; formerly Pension Specialist for CUNA Mutual Group (insurance) and President of Credit Union Benefits Services, Inc. (a provider of retirement plans and related services for credit union employees nationwide). | All 12 Mosaic Funds | Trustee of the Madison Claymore Covered Call Fund |

Interested Trustees*

| | | | | | |
|---|----------------------------|--|--|--|---|
| Frank E. Burgess 550 Science Drive Madison, WI 53711 Born 8/4/1942 | Trustee and Vice President | Indefinite Terms since July 1996 | Founder; President and Director of Madison Investment Advisors, Inc. | All 12 Mosaic Funds | Trustee of the Madison Claymore Covered Call Fund |
| Katherine L. Frank 550 Science Drive Madison, WI 53711 Born 11/27/1960 | Trustee and President | Indefinite Terms President since July 1996, Trustee since May 2001 | Principal and Vice President of Madison Investment Advisors, Inc. and President of Madison Mosaic, LLC | President of all 12 Mosaic Funds, Trustee of all Mosaic Funds except Mosaic Equity Trust | None |

Officers*

| | | | | | |
|--|----------------|---------------------------------|---|---------------------|------|
| Jay R. Sekelsky 550 Science Drive Madison, WI 53711 Born 9/14/1959 | Vice President | Indefinite Term since July 1996 | Principal and Vice President of Madison Investment Advisors, Inc. and Vice President of Madison Mosaic, LLC | All 12 Mosaic Funds | None |
| Christopher Berberet 550 Science Drive Madison, WI 53711 Born 7/31/1959 | Vice President | Indefinite Term since July 1996 | Principal and Vice President of Madison Investment Advisors, Inc. and Vice President of Madison Mosaic, LLC | All 12 Mosaic Funds | None |

Management Information (concluded)

| Name, Address and Age | Position(s) Held with Fund | Term of Office and Length of Time Served | Principal Occupation(s) During Past 5 Years | Number of Portfolios in Fund Complex Overseen | Other Directorships Held |
|--|--|---|---|---|--------------------------|
| W. Richard Mason 8777 N. Gainey Center Drive, #220 Scottsdale, AZ 85258 Born 5/13/1960 | Secretary, General Counsel and Chief Compliance Officer | Indefinite Terms since November 1992 | Principal of Mosaic Funds Distributor, LLC; General Counsel for Madison Investment Advisors, Madison Scottsdale, LC and Madison Mosaic, LLC | All 12 Mosaic Funds | None |
| Greg Hoppe 550 Science Drive Madison, WI 53711 Born 4/28/1969 | Chief Financial Officer | Indefinite Term since August 1999 | Vice President of Madison Mosaic, LLC | All 12 Mosaic Funds | None |

*All interested Trustees and Officers of the Trust are employees and/or owners of Madison Investment Advisors, Inc. Since Madison Investment Advisors, Inc. serves as the investment advisor to the Trust, each of these individuals is considered an "interested person" of the Trust as the term is defined in the Investment Company Act of 1940.

The Statement of Additional Information contains more information about the Trustees and is available upon request. To request a free copy, call Mosaic Funds at 1-800-368-3195.

Forward-Looking Statement Disclosure. One of our most important responsibilities as mutual fund managers is to communicate with shareholders in an open and direct manner. Some of our comments in our letters to shareholders are based on current management expectations and are considered "forward-looking statements." Actual future results, however, may prove to be different from our expectations. You can identify forward-looking statements by words such as "estimate," "may," "will," "expect," "believe," "plan" and other similar terms. We cannot promise future returns. Our opinions are a reflection of our best judgment at the time this report is compiled, and we disclaim any obligation to update or alter forward-looking statements as a result of new information, future events, or otherwise.

Proxy Voting Information. The Trust only invests in non-voting securities. Nevertheless, the Trust adopted policies that provide guidance and set forth

parameters for the voting of proxies relating to securities held in the Trust's portfolios. These policies are available to you upon request and free of charge by writing to Mosaic Funds, 550 Science Drive, Madison, WI 53711 or by calling toll-free at 1-800-368-3195. The Trust's proxy voting policies may also be obtained by visiting the Securities and Exchange Commission web site at www.sec.gov. The Trust will respond to shareholder requests for copies of our policies within two business days of request by first-class mail or other means designed to ensure prompt delivery.

N-Q Disclosure. The Trust files its complete schedule of portfolio holdings with the U.S. Securities and Exchange Commission (the "Commission") for the first and third quarters of each fiscal year on Form N-Q. The Trust's Forms N-Q are available on the Commission's website. The Trust's Forms N-Q may be reviewed and copied at the Commission's Public Reference Room in Washington, DC. Information about the operation of the Public Reference Room may be obtained by calling the Commission at 1-202-942-8090. Form N-Q and other information about the Trust are available on the EDGAR Database on the Commission's Internet site at <http://www.sec.gov>. Copies of this information may also be obtained, upon payment of a duplicating fee, by electronic request at the following email address: publicinfo@sec.gov, or by writing the Commission's Public Reference Section, Washington, DC 20549-0102. Finally, you may call Mosaic at 800-368-3195 if you would like a copy of Form N-Q and we will mail one to you at no charge.

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tax-free trust

The Mosaic Family of Mutual Funds

Mosaic Equity Trust

Mosaic Investors Fund

Mosaic Balanced Fund

Mosaic Mid-Cap Fund

Mosaic Foresight Fund

Mosaic Income Trust

Mosaic Government Fund

Mosaic Intermediate Income Fund

Mosaic Institutional Bond Fund

Mosaic Tax-Free Trust

Mosaic Arizona Tax-Free Fund

Mosaic Missouri Tax-Free Fund

Mosaic Virginia Tax-Free Fund

Mosaic Tax-Free National Fund

Mosaic Government Money Market

For more complete information on any Mosaic fund, including charges and expenses, request a prospectus by calling 1-800-368-3195. Read it carefully before you invest or send money. This document does not constitute an offering by the distributor in any jurisdiction in which such offering may not be lawfully made. Mosaic Funds Distributor, LLC.

TRANSFER AGENT

Mosaic Funds
c/o US Bancorp Fund Services, LLC
P.O. Box 701
Milwaukee, WI 53201-0701

TELEPHONE NUMBERS

Shareholder Service
Toll-free nationwide: 888-670-3600

Mosaic Tiles (24 hour automated information)
Toll-free nationwide: 800-336-3063



www.mosaicfunds.com

SEC File Number 811-3486