

September 30, 2007

Madison Mosaic

Tax-Free Trust

Virginia Tax-Free Fund
Tax-Free National Fund



www.mosaicfunds.com

tax-free trust

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Management's Discussion of Fund Performance



Michael J. Peters

The annual period ended September 30, 2007 saw positive returns for Mosaic Virginia Tax-Free Fund (hereafter referred to as "Virginia Fund") and Mosaic Tax-Free National Fund (hereafter referred to as "National Fund"). One-year total returns were 2.13% for Virginia and 2.14% for

National. Rising short-term interest rates helped boost the funds' yield, as the 30-day SEC yield for Virginia rose across the period from 2.93% to 3.15% while National rose from 2.88% to 3.12%. Over the same period, the Lipper General Municipal Debt Index was up 2.14%. The Lipper Municipal Debt Virginia Index advanced 2.00% over the year.

Over the first half of the period covered by this report, lower-quality and longer-duration bonds outperformed. As a result, the funds in Tax-Free Trust trailed their benchmarks during this timeframe. This trend reversed in the second half of the period, when intermediate-term and higher-quality bonds were favored. Madison Mosaic's high-quality, intermediate-duration holdings showed particular strength in the fourth quarter of this annual period, when there was at first a general flight to quality in the wake of the subprime loan crisis, followed by a 50-basis point Federal Reserve rate cut. Therefore, both funds slightly outperformed their benchmarks for the full year-ended September 30, 2007.

Economic Overview

The U.S. economy continued to expand over the one-year period ended September 30, 2007, but as we concluded the period, mixed economic data, higher commodity prices and the subprime loan crisis dampened projections. For much of the period, interest rates were steady, as the Fed held

its prime rate at 5.25% following its June 29, 2006 quarter-point increase. The main driver in the bond market over the later part of the period was the subprime loan issue, and a growing concern about the valuation and liquidity of bonds and derivatives which contained subprime exposure. This was, in general, a plus for municipal bonds, which were seen as a haven from the problems, and a particular plus for highly rated municipal bonds, which benefited from the general flight to quality.

As the financial markets roiled in August and into September, sparked by spreading problems with lower-quality loans and the subsequent collapse of a number of hedge funds, the Fed surprised the market with a half-point rate cut on September 18. This buoyed investor sentiment across the board, and preliminary indicators suggest that it was successful in returning needed liquidity to the markets.

Outlook

We see mixed signals in the economic outlook. For instance, we expect autos and housing to be a problem going forward, but these categories represent only about 9% of GDP. On the plus side, we see strength in other sectors and anticipate that business spending will increase in 2008. Corporations have ample cash on their balance sheets and earnings appear to be relatively strong. From a fundamental economic perspective, we believe the economy will hold up well going into 2008, and we're putting a relatively low probability on an imminent recession. We're particularly conscious of the employment situation, and as long as employment remains steady, the overall economy should continue to grow. The one potential concern is inflation, which we currently feel is contained. However, should inflation rear up, it would be a negative for all financial assets. In terms of monetary policy, we believe the Federal Reserve Board will remain data dependent. The half-percent cut in September was a surprise, but we believe it was a calculated one, intended to give a shot in the

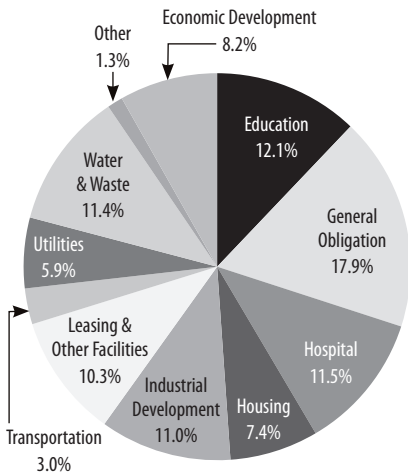
Management's Discussion of Fund Performance • September 30, 2007 (continued)

arm to the economy and inject needed liquidity in the markets. While it will take a bit longer to play out, early indications suggest that the effort has been successful.

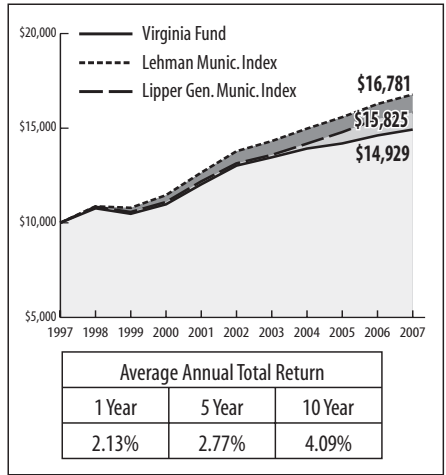
VIRGINIA FUND

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 2.13% for the annual period and the 30-day SEC yield was 3.15% as of September 30, 2007. The duration of the portfolio was 6.06 years while the average credit quality was maintained at AA. Purchases during the period included Richmond Virginia Public Utility Authority revenue bonds. Virginia ranked 15th in the country in terms of issuance on a year-to-date basis.

INDUSTRY DIVERSIFICATION AS OF SEPTEMBER 30, 2007 FOR MADISON MOSAIC VIRGINIA 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 MADISON 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.

Management's Discussion of Fund Performance - September 30, 2007 (concluded)

NATIONAL FUND

The National Fund had a total return of 2.14% for the annual period and the 30-day SEC yield was 3.12% as of September 30, 2007. The duration of the portfolio was 5.85 years and 66% of the portfolio held Moody's top Aaa rating. Purchases made during the period included Missouri State Health and Education Authority for St. Francis Medical Center variable rate notes. The United States and its territories have issued \$323.3 billion in muni bonds year-to-date through the end of September which represents approximately a 21% increase in volume over the same period last year.

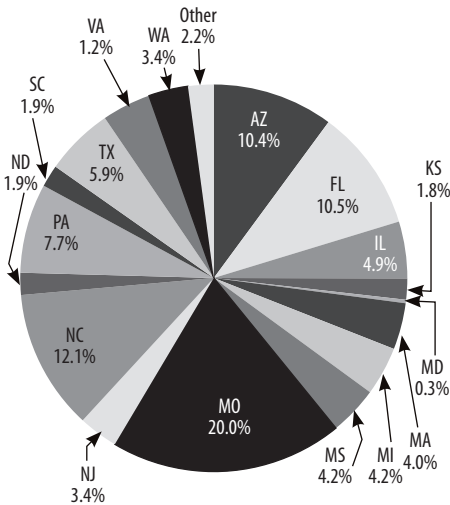
We appreciate your confidence in Madison Mosaic Funds® and reaffirm our commitment to provide you with competitive returns to meet your investment objectives.

Sincerely,

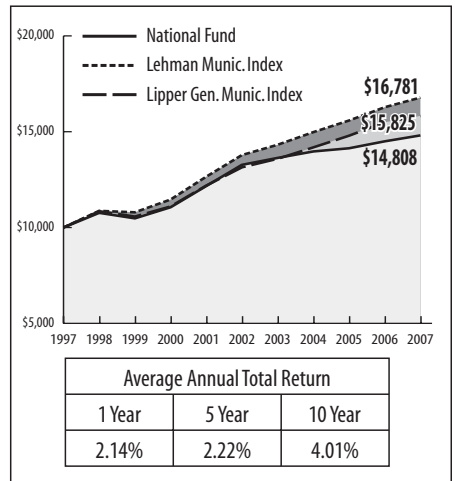


Michael J. Peters, CFA
Vice-President

STATE DIVERSIFICATION AS OF SEPTEMBER 30, 2007 FOR MADISON MOSAIC NATIONAL 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 MADISON 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.

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 the Mosaic Tax-Free Trust (the "Trust"), including the Mosaic Virginia Tax-Free Fund and Mosaic Tax-Free National Fund (collectively, the "Funds"), as of September 30, 2007 and the related statements of operations for the year then ended and the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the four years in the period then ended. 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 based on our audits. The financial highlights for the year ended September 30, 2003 was audited by other auditors. Those auditors expressed an unqualified opinion on those financial highlights in their report dated November 11, 2003.

We conducted our audits 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. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of September 30, 2007 by correspondence with the Funds' custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and 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, 2007, and the results of their operations for the year then ended and the changes in their net assets for each of the two years in the period then ended and financial highlights for each of the four years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.



Chicago, Illinois
November 15, 2007

Virginia Fund • Portfolio of Investments

| CREDIT RATING* | | | PRINCIPAL | MARKET |
|---|-----|---|-------------|-------------|
| MOODY'S | S&P | | AMOUNT | VALUE |
| LONG TERM MUNICIPAL BONDS: 98.7% of net assets | | | | |
| ECONOMIC DEVELOPMENT: 8.2% | | | | |
| Aaa | AAA | James City County Economic Development Authority Revenue, 5%, 6/15/19 | \$1,050,000 | \$1,127,553 |
| Aa2 | AA | Newport News Economic Development Authority Revenue, 5% 7/1/25 | 745,000 | 780,417 |
| EDUCATION: 12.1% | | | | |
| Aa1 | AA+ | Fairfax County Economic Development Authority, Facilities Revenue, 5%, 4/1/21 | 1,000,000 | 1,053,610 |
| nr | A | Roanoke County Industrial Development Authority (Hollins College), 5.25%, 3/15/23 | 900,000 | 922,617 |
| Aaa | AAA | Virginia Polytech Institute & State University Revenue, 5%, 6/1/14 | 775,000 | 836,814 |
| GENERAL OBLIGATION: 17.9% | | | | |
| Aaa | AAA | Alexandria, 5%, 1/1/16 | 200,000 | 218,022 |
| Aaa# | AAA | Culpeper County, (Prerefunded 1/15/10 @ 101), 6%, 1/15/21 | 300,000 | 318,939 |
| Aaa# | AAA | Loudoun County, (Prerefunded 5/1/12 @ 100), 5.25%, 5/1/13 | 620,000 | 663,344 |
| Aaa | AAA | Loudoun County, 5%, 10/1/13 | 500,000 | 525,800 |
| Aa3 | AA | Lynchburg, 5.7%, 6/1/25 | 1,000,000 | 1,063,980 |
| Aaa | AAA | Richmond, 5%, 7/15/23 | 750,000 | 785,955 |
| Aa1 | AA+ | Virginia Beach, 5%, 3/1/12 | 540,000 | 572,146 |
| HOSPITAL: 11.5% | | | | |
| A1 | NR | Augusta County Industrial Development Authority, Hospital Revenue, 5.25%, 9/1/20 | 1,000,000 | 1,073,810 |
| Aaa | AAA | Danville Industrial Development Authority, Hospital Revenue (Danville Regional Medical Center) (AMBAC Insured), 5%, 10/1/10 | 250,000 | 259,923 |
| Aaa | AAA | Hanover County Industrial Development Authority, Revenue, Bon Secours Health System (MBIA Insured), 6%, 8/15/10 | 200,000 | 212,728 |
| Aaa | AAA | Roanoke Industrial Development Authority, Hospital Revenue (Carilion Health Systems) (MBIA Insured), 5.5%, 7/1/16 | 500,000 | 538,350 |
| Aaa | AAA | Roanoke Industrial Development Authority, Hospital Revenue (Roanoke Memorial Hospitals) (MBIA Insured), 6.125%, 7/1/17 | 500,000 | 575,270 |
| HOUSING: 7.4% | | | | |
| nr | AAA | Fairfax County Redevelopment & Housing Authority, Multi-Family Housing Revenue (Castel Lani Project) (FHA Insured), 5.5%, 4/1/28 | 425,000 | 430,721 |
| nr | AAA | Suffolk Redevelopment & Housing Authority, Multi-Family Housing Revenue, 5.6%, 2/1/33 | 1,250,000 | 1,298,150 |

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

Virginia Fund • Portfolio of Investments • September 30, 2007 (concluded)

| CREDIT RATING* | | | PRINCIPAL | MARKET |
|--|----------------|--|------------------|-----------------------------------|
| MOODY'S | S&P | | AMOUNT | VALUE |
| INDUSTRIAL DEVELOPMENT: 11.0% | | | | |
| Aaa | nr | Fairfax County Economic Development Authority (National Wildlife Assoc.), 5.25%, 9/1/19 | \$1,000,000 | \$1,036,320 |
| Aaa | AAA | Gloucester County Economic Development Authority, Lease Revenue (Courthouse Project) (MBIA Insured), 4.375%, 11/1/25 | 500,000 | 491,095 |
| Aaa | AAA | Stafford County Industrial Development Authority Revenue, Municipal League Association, 4.5% 8/1/25 | 700,000 | 703,171 |
| Aaa | AAA | Stafford County Industrial Development Authority Revenue, Municipal League Association, 5% 8/1/21 | 315,000 | 333,021 |
| LEASING AND OTHER FACILITIES: 10.3% | | | | |
| Aa1 | AA+ | Arlington County Industrial Development Authority Lease Revenue, 5%, 8/1/14 | 500,000 | 540,130 |
| Aaa | nr | Prince William County, County Facility (AMBAC Insured), 5%, 6/1/22 | 750,000 | 786,915 |
| Aaa | nr | Richmond Industrial Development Authority Government Facilities, 5%, 7/15/13 | 1,000,000 | 1,070,840 |
| TRANSPORTATION: 3.0% | | | | |
| Aaa | AAA | Richmond Metropolitan Authority Expressway Revenue, (FGIC Insured), 5.25%, 7/15/12 | 350,000 | 375,945 |
| Aa2 | AA | Virginia State Resources Authority Infrastructure Revenue, 4.75%, 5/1/17 | 300,000 | 309,570 |
| UTILITIES: 5.9% | | | | |
| Aaa | AAA | Richmond Public Utility Revenue, 4.5%, 1/15/33 | 300,000 | 294,645 |
| Aaa | AAA | Southeastern Public Service Authority Revenue, 5%, 7/1/15 | 1,000,000 | 1,082,590 |
| WATER & WASTE: 11.4% | | | | |
| Aaa | AAA | Frederick Regional Sewer System Revenue, (AMBAC), 5%, 10/1/15 | 570,000 | 620,052 |
| Aaa | AAA | Henry County Water & Sewer Revenue, (FSA Insured), 5.25%, 11/15/13 | 700,000 | 763,280 |
| Aaa | AAA | Henry County Water & Sewer Revenue, (FSA Insured), 5.25%, 11/15/15 | 150,000 | 165,945 |
| Aaa | AAA | Upper Occoquan Sewer, Regional Sewer Revenue, (MBIA Insured), 5.15%, 7/1/20 | 1,000,000 | <u>1,103,360</u> |
| TOTAL INVESTMENTS (Cost \$22,476,164) | | | | \$22,935,028 |
| CASH AND RECEIVABLES LESS LIABILITIES: 1.3% of net assets | | | | <u>305,190</u> |
| NET ASSETS: 100% | | | | <u><u>\$23,240,218</u></u> |

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

National Fund • Portfolio of Investments

| CREDIT RATING* | | | PRINCIPAL | MARKET |
|---|-----|---|------------|------------|
| MOODY'S | S&P | | AMOUNT | VALUE |
| LONG TERM MUNICIPAL BONDS: 97.8% of net assets | | | | |
| ARIZONA: 10.4% | | | | |
| Aaa# | AAA | Arizona Health Facilities Authority, Hospital Revenue (Phoenix Baptist Hospital) (MBIA Insured), 6.25%, 9/1/11 | \$ 100,000 | \$ 103,362 |
| Baa1 | nr | Arizona Tourism & Sports Authority Tax Revenue Bond, 5%, 7/1/16 | 100,000 | 102,245 |
| Aa3 | AA- | Arizona Transportation Board, Grant Antic, 5%, 7/1/13 | 135,000 | 144,361 |
| Aa1 | AAA | Arizona Transportation Board, Highway Revenue Tolls, 5.25%, 7/1/20 | 215,000 | 230,542 |
| Aaa | nr | Maricopa County Public Corp. Lease Revenue Bond, (AMBAC Insured), 5.5%, 7/1/10 | 245,000 | 257,505 |
| Aaa | nr | Maricopa County Stadium Revenue Bond, (AMBAC Insured), 5.25%, 6/1/12 | 250,000 | 267,875 |
| Aaa | AAA | Maricopa County Unified School District #41 (Gilbert), 5.8%, 7/1/14 | 250,000 | 281,703 |
| Baa2 | nr | Maricopa County, Unified School District #090 Saddle Mountain, 5%, 7/1/14 | 75,000 | 76,645 |
| Aaa | AAA | Northern Arizona University, 5%, 9/1/23 | 150,000 | 157,177 |
| Aaa | AAA | Pima County Industrial Development Authority Revenue (Refunding Bonds), 5.625%, 4/1/14 | 250,000 | 254,975 |
| Aaa# | AAA | Pima County Unified School District #10 (Amphitheater), (Prerefunded 7/01/09 @100) (FGIC Insured), 5.1%, 7/1/11 | 190,000 | 195,221 |
| Aa2 | AAA | Tempe Excise Tax Revenue, 5%, 7/1/20 | 225,000 | 238,154 |
| Aa3# | AA | Tucson Recreational Facility Improvements (Prerefunded 7/01/09 @100), 5.25%, 7/1/19 | 250,000 | 257,413 |
| Aa3# | AA | Tucson Recreational, (Prerefunded 7/1/09 @ 100), 5.25%, 7/1/18 | 100,000 | 102,965 |
| Aaa# | AAA | University of Arizona Board of Regents (Prerefunded 12/01/09 @100) (FGIC Insured), 5.8%, 6/1/24 | 275,000 | 288,274 |
| FLORIDA: 10.5% | | | | |
| Aaa | AAA | Emerald Coast Utilities Authority Revenue Bond, (FGIC Insured), 5%, 1/1/25 | 1,010,000 | 1,043,825 |
| Aaa | AAA | Palm Beach County Solid Waste Authority Revenue Bond, (AMBAC Insured), 6%, 10/1/10 | 1,100,000 | 1,169,806 |
| Aaa | AAA | Peace River, Manasota Regional Water Supply Authority Revenue Bond (FSA Insured), 5%, 10/1/23 | 750,000 | 784,680 |
| ILLINOIS: 4.9% | | | | |
| Aaa | AAA | Regional Illinois Transportation Authority, Transit Revenue (AMBAC Insured), 7.2%, 11/1/20 | 300,000 | 364,182 |
| Aaa | nr | Winnebago County, Public Safety Sales Tax Revenue (MBIA Insured), 5% 12/30/24 | 1,000,000 | 1,036,280 |
| KANSAS: 1.8% | | | | |
| Aa2 | AAA | Kansas State Department of Transportation, Hwy Revenue, 6.125%, 9/1/09 | 500,000 | 524,420 |

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

National Fund • Portfolio of Investments • September 30, 2007 (continued)

| CREDIT RATING* | | PRINCIPAL AMOUNT | MARKET VALUE |
|----------------------------|-----|--|------------------------|
| MOODY'S | S&P | | |
| MARYLAND: 0.3% | | | |
| Aaa# | AAA | Maryland State Transportation Authority Transportation Facilities Project Revenue, 6.8%, 7/1/16 | \$ 80,000 \$ 89,930 |
| MASSACHUSETTS: 4.0% | | | |
| Aa2 | AA | Massachusetts Bay Transportation Authority, Transit Revenue, 7%, 3/1/14 | 1,000,000 1,144,750 |
| MICHIGAN: 4.2% | | | |
| Aaa | AAA | Charles Stewart Mott Community College, (MBIA Insured), 5%, 5/1/18 | 720,000 766,649 |
| Aaa | AAA | Redford United School District, (AMBAC Insured), 5%, 5/1/22 | 410,000 443,612 |
| MISSISSIPPI: 4.2% | | | |
| Aaa | AAA | Harrison County Wastewater Management District, Sewer Revenue, (Wastewater Treatment Facilities) (FGIC Insured), 7.75%, 2/1/14 | 500,000 609,175 |
| Aaa | AAA | Harrison County Wastewater Management District, Sewer Revenue, (Wastewater Treatment Facilities) (FGIC Insured), 8.5%, 2/1/13 | 500,000 601,685 |
| MISSOURI: 20.0% | | | |
| nr | AAA | Camdenton Reorg School District Nor-III, Camden County Certificate Participation, (FSA Insured), 5%, 3/1/20 | 500,000 523,105 |
| A1 | nr | Greene County Certificate Participation, 5.25%, 7/1/11 | 300,000 313,287 |
| Aaa | AAA | Jackson County Reorg School District #7, Lees Summit, (FSA Insured), 5.25%, 3/1/14 | 300,000 320,265 |
| Aaa | nr | Jefferson County Public Water Supply District Number C-1 (AMBAC Insured), 5.25%, 12/1/16 | 130,000 139,760 |
| Aa2 | nr | Jefferson County School District, 6.7%, 3/1/11 | 200,000 210,672 |
| Aa1 | nr | Lees Summit, 4.7%, 4/1/21 | 325,000 332,738 |
| Aaa | AAA | Mehlville School District R-9, Certificate Participation, (FSA Insured), 5%, 9/1/19 | 300,000 312,159 |
| Aaa | AAA | Missouri Development Financial Board Cultural Facilities Revenue Bond, (MBIA Insured), 5.25%, 12/1/17 | 350,000 370,587 |
| Aa1 | AA+ | Missouri State Board Public Buildings, 4.0%, 12/1/10 | 75,000 76,088 |
| Aa1 | AA+ | Missouri State Board Public Buildings, 5.5% 10/15/13 | 300,000 330,489 |
| Aa1 | AA+ | Missouri State Health & Educational Facilities Authority Revenue Bond, 5.0%, 11/1/09 | 500,000 515,195 |
| Aaa | AAA | Missouri State Highway & Transportation, Street & Road Revenue, 5.25%, 2/1/20 | 250,000 263,217 |
| nr | AA+ | Normandy School District General Obligation, 5.4%, 3/1/18 | 325,000 327,441 |
| Aa1 | AA+ | North Kansas City School District, 4.25%, 3/1/16 | 300,000 306,834 |
| Aaa | AAA | Springfield Public Building Corp. Leasehold Revenue Bond, 5.8%, 6/1/13 | 275,000 290,207 |
| nr | AAA | St Louis County, Mortgage Revenue Bond (AMT), 5.65%, 2/1/20 | 500,000 539,165 |

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

National Fund • Portfolio of Investments • September 30, 2007 (continued)

| CREDIT RATING* | | | PRINCIPAL | MARKET |
|------------------------------|-----|--|------------|------------|
| MOODY'S | S&P | | AMOUNT | VALUE |
| MISSOURI (continued) | | | | |
| A2 | A | St Louis Industrial Development Authority Pollution Control Revenue, 6.65%, 5/1/16 | \$ 200,000 | \$ 226,810 |
| Aaa# | nr | St Louis Municipal Finance Corporation, Leasehold Revenue Bond (Prerefunded 2/15/10 @ \$101)(AMBAC Insured), 5.75%, 2/15/17 | 300,000 | 317,811 |
| NEW JERSEY: 3.4% | | | | |
| Aaa# | AAA | New Jersey State Turnpike Authority Revenue, 6.5%, 1/1/16 | 850,000 | 977,101 |
| NORTH CAROLINA: 12.1% | | | | |
| Aaa | AAA | Lincolnton Enterprise Systems Revenue Bond, 5%, 5/1/17 | 800,000 | 856,688 |
| Aaa | AAA | Macon County, 5%, 6/1/13 | 500,000 | 536,070 |
| Baa1 | nr | North Carolina Medical Care Community Revenue, 5.5%, 10/1/24 | 500,000 | 509,610 |
| Aa2 | AA+ | Raleigh, Certificate Participation, Leasing Revenue, 4.75%, 6/1/25 | 590,000 | 598,714 |
| Aaa | AAA | University North Carolina Systems, (AMBAC Insured), 5.25%, 4/1/21 | 890,000 | 944,388 |
| NORTH DAKOTA: 1.9% | | | | |
| Baa2 | nr | Grand Forks Health Care Systems Revenue Bond, 7.125%, 8/15/24 | 500,000 | 552,225 |
| PENNSYLVANIA: 7.7% | | | | |
| Aaa | AAA | Lehigh County General Obligation (Lehigh Valley Hospital) (MBIA Insured), 7%, 7/1/16 | 1,000,000 | 1,146,240 |
| Aaa | AAA | Pennsylvania Higher Educational Facilities Authority Revenue Bond, 5%, 4/1/20 | 1,000,000 | 1,061,060 |
| SOUTH CAROLINA: 1.9% | | | | |
| Aaa | AAA | Orangeburg County Government Action Authority, (MBIA Insured), 5%, 10/1/12 | 500,000 | 530,565 |
| TEXAS: 5.9% | | | | |
| Aaa | AAA | Lower Colorado River Authority, Utility Revenue, (AMBAC Insured), 6%, 1/1/17 | 305,000 | 354,291 |
| Aa3 | AA | Mueller Local Government, Contract Revenue, 5%, 9/1/25 | 1,280,000 | 1,334,144 |
| VIRGINIA: 1.2% | | | | |
| Aaa | AAA | Henry County Water & Sewer Revenue, (FSA Insured), 5.25%, 11/15/15 | 150,000 | 165,945 |
| Aaa | nr | Richmond Industrial Development Authority Government Facilities Revenue Bond, (AMBAC Insured), 5%, 7/15/16 | 150,000 | 162,976 |

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

National Fund • Portfolio of Investments • September 30, 2007 (concluded)

| CREDIT RATING* | | | PRINCIPAL | MARKET |
|-----------------------|----------------|--|------------------|---------------------|
| MOODY'S | S&P | | AMOUNT | VALUE |
| | | WASHINGTON: 3.4% | | |
| Aaa | AAA | Grays Harbor County Public Utility #001, Electric Revenue Bond, 5.25%, 7/1/24 | \$ 605,000 | \$ 643,708 |
| Aaa | AAA | King County School District #415 Kent, (FSA Insured) 5.5%, 6/1/16 | 300,000 | <u>335,445</u> |
| | | TOTAL INVESTMENTS (Cost \$27,197,863) | | \$27,962,411 |
| | | CASH AND RECEIVABLES LESS LIABILITIES: 2.2% of net assets | | <u>616,781</u> |
| | | NET ASSETS: 100% | | <u>\$28,579,192</u> |

NOTES TO PORTFOLIOS OF INVESTMENTS:

| | |
|---------|--|
| # | 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 |
| MBIA | Municipal Bond Investors Assurance Corporation |
| Moody's | Moody's Investors Service, Inc. |
| nr | Not rated |
| S&P | Standard & Poor's Corporation |
| * | Credit ratings are unaudited |

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

Statements of Assets and Liabilities

| | Virginia Fund | National Fund |
|---|---------------------|---------------------|
| ASSETS | | |
| Investment securities, at value* (Note 1) | \$22,935,028 | \$27,962,411 |
| Cash | 24,880 | 223,566 |
| Receivables | | |
| Interest | 293,609 | 414,133 |
| Capital shares sold | 300 | 42 |
| Total assets | <u>23,253,817</u> | <u>28,600,152</u> |
| LIABILITIES | | |
| Payables | | |
| Dividends | 4,799 | 12,475 |
| Capital shares redeemed | 800 | 485 |
| Independent trustee fees | 750 | 750 |
| Auditor fees | 6,500 | 6,500 |
| Other expenses | <u>750</u> | <u>750</u> |
| Total liabilities | 13,599 | 20,960 |
| NET ASSETS | <u>\$23,240,218</u> | <u>\$28,579,192</u> |
| Net assets consists of: | | |
| Paid in capital | \$22,716,196 | \$27,741,017 |
| Accumulated net realized gains | 65,158 | 73,627 |
| Net unrealized appreciation on investments | <u>458,864</u> | <u>764,548</u> |
| Net assets | <u>\$23,240,218</u> | <u>\$28,579,192</u> |
| CAPITAL SHARES OUTSTANDING | | |
| An unlimited number of capital shares, without par value, are authorized (Note 6) | 2,032,424 | 2,658,332 |
| NET ASSET VALUE PER SHARE | <u>\$11.43</u> | <u>\$10.75</u> |
| * INVESTMENT SECURITIES, AT COST | <u>\$22,476,164</u> | <u>\$27,197,863</u> |

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

Statements of Operations

For the year ended September 30, 2007

| | <u>Virginia Fund</u> | <u>National Fund</u> |
|---|--------------------------|--------------------------|
| INVESTMENT INCOME (Note 1) | | |
| Interest income | \$1,105,591 | \$1,339,210 |
| EXPENSES (Notes 2, 3 and 7) | | |
| Investment advisory fees | 157,218 | 183,089 |
| Other expenses | 90,559 | 115,460 |
| Independent trustee fees | 3,000 | 3,000 |
| Auditor fees | 7,000 | 7,000 |
| Line of credit interest and fees | <u>250</u> | <u>250</u> |
| Total expenses | 258,027 | 308,799 |
| NET INVESTMENT INCOME | 847,564 | 1,030,411 |
| REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS | | |
| Net realized gain on investments | 65,158 | 129,897 |
| Change in net unrealized depreciation of investments | <u>(396,126)</u> | <u>(550,342)</u> |
| NET LOSS ON INVESTMENTS | <u>(330,968)</u> | <u>(420,445)</u> |
| TOTAL INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | <u>\$516,596</u> | <u>\$609,966</u> |

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

Statements of Changes in Net Assets

| | Virginia Fund | | National Fund | |
|--|--------------------------|---------------------|--------------------------|---------------------|
| | Year Ended September 30, | | Year Ended September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| INCREASE IN NET ASSETS | | | | |
| RESULTING FROM OPERATIONS | | | | |
| Net investment income | \$ 847,564 | \$ 908,738 | \$ 1,030,411 | \$ 804,471 |
| Net realized gain on investments | 65,158 | 118,708 | 129,897 | 141,768 |
| Change in net unrealized depreciation on investments | (396,126) | (246,497) | (550,342) | (121,761) |
| Total increase in net assets resulting from operations..... | 516,596 | 780,949 | 609,966 | 824,478 |
| DISTRIBUTION TO SHAREHOLDERS | | | | |
| From net investment income | (847,564) | (908,738) | (1,030,411) | (804,471) |
| From net realized gains | (118,708) | (29,699) | (131,426) | (110,965) |
| Total distributions | (966,272) | (938,437) | (1,161,837) | (915,436) |
| CAPITAL SHARE TRANSACTIONS (Note 6) | (2,534,662) | (1,266,680) | (1,589,942) | 9,235,720 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | (2,984,338) | (1,424,168) | (2,141,813) | 9,144,762 |
| NET ASSETS | | | | |
| Beginning of year | <u>\$26,224,556</u> | <u>\$27,648,724</u> | <u>\$30,721,005</u> | <u>\$21,576,243</u> |
| End of year | <u>\$23,240,218</u> | <u>\$26,224,556</u> | <u>\$28,579,192</u> | <u>\$30,721,005</u> |

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

Financial Highlights

Selected data for a share outstanding for the year indicated.

VIRGINIA FUND

| | Year Ended September 30, | | | | |
|--|--------------------------|---------------|---------------|---------------|---------------|
| | 2007 | 2006 | 2005 | 2004 | 2003 |
| Net asset value, beginning of year | \$11.63 | \$11.69 | \$11.92 | \$12.06 | \$12.16 |
| Investment operations: | | | | | |
| Net investment income | 0.39 | 0.39 | 0.38 | 0.41 | 0.45 |
| Net realized and unrealized loss on investments | (0.15) | (0.05) | (0.15) | -- | (0.05) |
| Total from investment operations | <u>0.24</u> | <u>0.34</u> | <u>0.23</u> | <u>0.41</u> | <u>0.40</u> |
| Less distribution from: | | | | | |
| net investment income | (0.39) | (0.39) | (0.38) | (0.41) | (0.45) |
| net realized gains | (0.05) | (0.01) | (0.08) | (0.14) | (0.05) |
| Total distributions | <u>(0.44)</u> | <u>(0.40)</u> | <u>(0.46)</u> | <u>(0.55)</u> | <u>(0.50)</u> |
| Net asset value, end of year | \$11.43 | \$11.63 | \$11.69 | \$11.92 | \$12.06 |
| Total return (%) | 2.13 | 2.98 | 1.94 | 3.46 | 3.35 |
| Ratios and supplemental data | | | | | |
| Net assets, end of year (in thousands) | \$23,240 | \$26,225 | \$27,649 | \$28,157 | \$29,681 |
| Ratio of expenses to average net assets (%) | 1.03 | 1.02 | 1.02 | 1.02 | 1.01 |
| Ratio of net investment income to average net assets (%) | 3.37 | 3.33 | 3.22 | 3.41 | 3.72 |
| Portfolio turnover (%) | 12 | 21 | 12 | 16 | 31 |

NATIONAL FUND

| | Year Ended September 30, | | | | |
|--|--------------------------|---------------|---------------|---------------|---------------|
| | 2007 | 2006 | 2005 | 2004 | 2003 |
| Net asset value, beginning of year | \$10.95 | \$11.11 | \$11.35 | \$11.45 | \$11.53 |
| Investment operations: | | | | | |
| Net investment income | 0.38 | 0.38 | 0.37 | 0.38 | 0.38 |
| Net realized and unrealized loss on investments | (0.15) | (0.10) | (0.24) | (0.10) | (0.08) |
| Total from investment operations | <u>0.23</u> | <u>0.28</u> | <u>0.13</u> | <u>0.28</u> | <u>0.30</u> |
| Less distribution from: | | | | | |
| net investment income | (0.38) | (0.38) | (0.37) | (0.38) | (0.38) |
| net realized gains | (0.05) | (0.06) | -- | -- | -- |
| Total distributions | <u>(0.43)</u> | <u>(0.44)</u> | <u>(0.37)</u> | <u>(0.38)</u> | <u>(0.38)</u> |
| Net asset value, end of year | \$10.75 | \$10.95 | \$11.11 | \$11.35 | \$11.45 |
| Total return (%) | 2.14 | 2.56 | 1.19 | 2.47 | 2.72 |
| Ratios and supplemental data | | | | | |
| Net assets, end of year (in thousands) | \$28,579 | \$30,721 | \$21,576 | \$22,526 | \$23,489 |
| Ratio of expenses to average net assets (%) | 1.05 | 1.06 | 1.07 | 1.07 | 1.07 |
| Ratio of net investment income to average net assets (%) | 3.52 | 3.45 | 3.31 | 3.31 | 3.37 |
| Portfolio turnover (%) | 17 | 34 | 9 | 28 | 21 |

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

Notes to Financial Statements

1. Summary of Significant Accounting Policies. Madison 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 two separate funds, the Virginia Tax-Free Fund ("Virginia Fund") and the Tax-Free National Fund (the "National Fund") which invest principally in securities exempt from federal income taxes, commonly known as "municipal" securities. The Virginia Fund invests solely in securities exempt from both federal and state income taxes. The National Fund invests in securities exempt from federal taxes. Both 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 Funds value securities having maturities of 60 days or less at amortized cost, which approximates fair 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: Distributions are recorded on the ex-dividend date. Net investment income, determined as gross investment income less total expenses, is declared as a regular dividend and distributed to shareholders monthly. Capital gain

distributions, if any, are declared and paid annually at calendar year-end. Additional distributions may be made if necessary. Distributions paid during the years ended September 30, 2007 and 2006 were identical for book purposes and tax purposes.

The tax character of distributions paid for the Virginia Fund was \$118,708 long-term for the year ended September 30, 2007 and \$29,699 long-term for the year ended September 30, 2006. The tax character of distributions paid for the National Fund was \$131,426 long-term for the year ended September 30, 2007 and \$110,965 long-term for the year ended September 30, 2006. There were no short-term capital gain distributions for either Fund for the years ended September 30, 2007 or 2006.

As of September 30, 2007 the components of distributable earnings on a tax basis were as follows:

Virginia Fund:

| | |
|--|-------------------|
| Accumulated net realized gains | \$ 65,158 |
| Net unrealized appreciation on investments | <u>458,864</u> |
| | <u>\$ 524,022</u> |

National Fund:

| | |
|--|-------------------|
| Accumulated net realized gains | \$ 73,627 |
| Net unrealized appreciation on investments | <u>764,548</u> |
| | <u>\$ 838,175</u> |

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.

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

Notes to Financial Statements (continued)

| National Fund (continued) | Year Ended September 30, | |
|--|--------------------------|----------------|
| | 2007 | 2006 |
| In Shares | | |
| Shares sold | 163,241 | 86,205 |
| Additional shares issued in connection with Tax-Free Missouri merger | -- | 604,480 |
| Additional shares issued in connection with Tax-Free Arizona merger | -- | 425,682 |
| Shares issued in reinvestment of dividends | 90,894 | 74,985 |
| Total shares issued | 254,135 | 1,191,352 |
| Shares redeemed | (400,667) | (329,078) |
| Net increase (decrease) | (146,532) | 862,274 |

7. Lines of Credit. The Virginia Fund has a \$7.5 million and the National Fund has an \$8 million revolving credit facility with a bank for temporary emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The interest rate on the outstanding principal amount is equal to the prime rate less 0.5% (effective rate of 7.25% at September 30, 2007). The lines of credit contain loan covenants with respect to certain financial ratios and operating matters. Both Funds were in compliance with these covenants as of September 30, 2007 and 2006. During the year ended September 30, 2007, neither Fund borrowed on their lines of credit.

8. New Accounting Pronouncement. In July 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" ("FIN 48"), which clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return. FIN 48 provides guidance on the measurement, recognition, classification and disclosure of tax positions, along with accounting for the related interest and penalties. FIN 48 is effective for fiscal years beginning after December 15, 2006, and is to be applied to all open tax years as of the date of effectiveness. The Funds are currently evaluating the impact, if any, of applying the various provisions of FIN 48.

On September 15, 2006, the Financial Accounting Standards Board issued Standard No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 addresses how companies should measure fair value when specified assets and liabilities are measured at fair value for either recognition or disclosure purposes under generally accepted accounting principles (GAAP). FAS 157 is intended to make the measurement of fair value more consistent and comparable and improve disclosures about those measures. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. At this time, management believes the adoption of FAS 157 will have no material impact on the financial statements of the Funds.

9. Discussion of Business Combinations. Effective June 22, 2006, the Mosaic Tax-Free Missouri Fund (the "Missouri Fund") series of the Trust merged into the National Fund series of the Trust as a tax-free reorganization pursuant to Internal Revenue Code Section 368(a)(1)(C). As of the date of the merger, shareholders of Missouri Fund received approximately 0.982844 shares of beneficial interest of the National Fund for each share they held of the Missouri Fund. A total of 615,031 shares of the Missouri Fund were outstanding as of the date of the reorganization, resulting in the issuance of 604,480 shares of beneficial interest. The Missouri Fund's net assets on June 22, 2006 of \$6,479,539 (including \$230,251 of net unrealized appreciation and \$23,153 of accumulated net realized losses) were combined with those of the National Fund. The Missouri Fund had net investment income of \$187,785 which was distributed to its shareholders immediately prior to the reorganization.

Effective July 20, 2006, the Mosaic Tax-Free Arizona Fund (the "Arizona Fund") series of the Trust merged into the National Fund series of the Trust as a tax-free reorganization pursuant to Internal Revenue Code Section 368(a)(1)(C). As of the date of the merger, shareholders of Arizona Fund received approximately 0.943309 shares of beneficial interest of the National Fund for each share they held of the Arizona Fund. A total of 451,265 shares of the Arizona Fund were outstanding as of the date of the reorganization, resulting in the issuance of 425,682 shares of beneficial interest. The Arizona

Notes to Financial Statements (concluded)

Fund's net assets on July 20, 2006 of \$4,584,854 (including \$96,090 of net unrealized appreciation and \$0 of accumulated net realized gains or losses) were combined with those of the National Fund.

The Arizona Fund had net investment income of \$150,869 which was distributed to its shareholders immediately prior to the reorganization.

Fund Expenses.

Example: This Example is intended to help you understand your costs (in dollars) of investing in a 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. This Example is based on an investment of \$1,000 invested on April 1, 2007 and held for the six-months ended September 30, 2007.

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 value 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 |
|---------------|-------------------------------------|----------------------------|-------------------------|--|---|
| Virginia Fund | 0.91% | \$1,000.00 | \$1,009.11 | 1.03% | \$5.14 |
| National Fund | 0.93% | \$1,000.00 | \$1,009.30 | 1.05% | \$5.28 |

¹For the six months ended September 30, 2007.

²Assumes reinvestment of all dividends and capital gains distributions, if any, at net asset value.

³Expenses are equal to the respective 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 365.

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 any 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 a Mosaic Tax-Free Trust Fund and other funds. To do so, compare the 5.00% hypothetical example relating to the Mosaic Fund with the 5.00% hypothetical examples that appear in the shareholder reports of the other funds.

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 |
|---------------|---|----------------------------|-------------------------|--|---|
| Virginia Fund | 5.00% | \$1,000.00 | \$1,025.33 | 1.03% | \$5.21 |
| National Fund | 5.00% | \$1,000.00 | \$1,025.33 | 1.05% | \$5.35 |

¹For the six months ended September 30, 2007.

²Expenses are equal to the respective 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 365.

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 1944 | Trustee | Indefinite Term since May 2001 | Retired investor; formerly Vice President - Publishing, Lee Enterprises, Inc. | All 12 Madison Mosaic Funds | Madison Newspapers, Inc. of Madison, WI; Trustee of the Madison Claymore Covered Call Fund and Madison Strategic Sector Premium Fund; Nerites Corp. |
| James R. Imhoff, Jr. 550 Science Drive Madison, WI 53711 Born 1944 | Trustee | Indefinite Term since July 1996 | Chairman and CEO of First Weber Group, Inc. (real estate brokers) of Madison, WI. | All 12 Madison Mosaic Funds | Trustee of the Madison Claymore Covered Call Fund and Madison Strategic Sector Premium Fund; Park Bank, FSB |
| Lorence D. Wheeler 550 Science Drive Madison, WI 53711 Born 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 Madison Mosaic Funds | Trustee of the Madison Claymore Covered Call Fund and Madison Strategic Sector Premium Fund; Grand Mountain Bank, FSB |

Interested Trustees*

| | | | | | |
|---|----------------------------|--|--|--|---|
| Frank E. Burgess 550 Science Drive Madison, WI 53711 Born 1942 | Trustee and Vice President | Indefinite Terms since July 1996 | Founder, President and Director of Madison Investment Advisors, Inc. | All 12 Madison Mosaic Funds | Trustee of the Madison Claymore Covered Call Fund and Madison Strategic Sector Premium Fund; Capitol Bank, FSB; Santa Barbara Community Bancorp, Inc. |
| Katherine L. Frank 550 Science Drive Madison, WI 53711 Born 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 Madison Mosaic Funds, Trustee of all Madison Mosaic Funds except Madison Mosaic Equity Trust | Trustee of Madison Strategic Sector Premium Fund |

Management Information (continued)

Officers*

| 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 |
|--|---|---|---|--|---------------------------------|
| Jay R. Sekelsky 550 Science Drive Madison, WI 53711 Born 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 Madison Mosaic Funds | None |
| Christopher Berberet 550 Science Drive Madison, WI 53711 Born 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 Madison Mosaic Funds | None |
| W. Richard Mason 8777 N. Gainey Center Drive, #220 Scottsdale, AZ 85258 Born 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 Madison Mosaic Funds | None |
| Greg Hoppe 550 Science Drive Madison, WI 53711 Born 1969 | Chief Financial Officer | Indefinite Term since August 1999 | Vice President of Madison Mosaic, LLC. | All 12 Madison 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.

Management Information (concluded)

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 Madison 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 us at 800-368-3195 if you would like a copy of Form N-Q and we will mail one to you at no charge.

tax-free trust

The Madison Mosaic Family of Mutual Funds

Equity Trust

Investors Fund
Balanced Fund
Mid-Cap Fund
Foresight Fund
Madison Institutional Equity Option Fund

Income Trust

Government Fund
Intermediate Income Fund
Institutional Bond Fund
Madison Corporate Income Shares Fund

Tax-Free Trust

Virginia Tax-Free Fund
Tax-Free National Fund

Government Money Market

For more complete information on any Madison 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

Madison 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