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TAX FREE TRUST OF ARIZONA

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Further information is contained in the Prospectus,
which must precede or accompany this report.

SEMI-ANNUAL
REPORT
DECEMBER 31, 1996

A TAX-FREE INCOME INVESTMENT

(Logo of Tax-Free Trust of Arizona: eagle sitting on top of flag with a star
on it)

(Logo of Aquila Group of Funds: eagle's head)

ONE OF THE
AQUILASM GROUP OF FUNDS

TAX-FREE TRUST OF ARIZONA
SEMI-ANNUAL REPORT
"THE VALUE OF STEADFASTNESS"

February 18, 1997

Dear Investor:

Most of us have heard, at one time or another, the story of the tortoise and the hare. With respect to your investment in Tax-Free Trust of Arizona, this old adage, detailing the virtue of steadfastness, speaks volumes. If the finish line you are seeking to cross is one of capital preservation and double tax-free income, then an investment which performs much like the tortoise just might "win the race."

THE CALL OF THE STOCK MARKET

As I am sure you will agree, recent years have been banner ones for the stock market. The spectacular price increases experienced have made the appeal of investing in equity securities extremely powerful and, at times, almost irresistible.

If it were possible to know in advance just what and when to buy or sell in order to maximize profit, then constantly switching your investment vehicle, trying to capture the latest trend, would be uncomplicated.

Unfortunately, "timing" the market, with any degree of consistency, is near impossible. We have generally found that, for the average investor, switching continuously from one security to another in the management of his/her investment portfolio tends to be a fruitless, often imprudent, exercise. With the degree of volatility inherent in the equity markets, missing an upturn or downturn could result in a disastrous loss of invested principal.

PROUD TO BE A TORTOISE

Our various survey results indicate that a substantial portion of investors in Tax-Free Trust of Arizona are retirees or pre-retirees who are concerned about capital preservation. Accordingly, staying on track with your investment in the Trust could well prove to be the most appropriate course to follow. Although equity investments can be rewarding for a portion of one's capital, it is still critical to keep firmly in mind your overall investment goal and not get disproportionately distracted by the dazzle of other investments.

It is no great secret that municipal bonds, such as those in which the Trust invests, are generally not exciting investments. Unlike stocks, they do not experience abrupt, dramatic highs. However, it must be kept in mind that municipal bonds also do not experience the dumbfounding lows of stocks. Municipal bond trusts just plod along from year to year, much like the tortoise, producing consistent double tax-free results for shareholders.

While being a tortoise may not be as glamorous as being a hare, this should not represent a cause for concern. The end result is really what counts - not how you got there, but that you got there at all.

CAPITAL PRESERVATION STRATEGIES

Although capital preservation is not guaranteed, the Trust does take some very deliberate steps to ensure that there will be minimal volatility in share price over a reasonable time frame.

The Trust's basic philosophy is "don't put all your eggs in one basket." And, when you choose the eggs for that basket, choose only quality ones.

DIVERSIFICATION is a key stability tool used in the construction of the Trust's investment portfolio. At year-end 1996, over 220 separate municipal issues were represented in the Trust's portfolio. Having such a breadth of participation helps to ensure against any significant loss of principal by the Trust in the remote event anything ever did go wrong with a particular issuer. Such diversification also enables the Trust to participate in financing many different vital public purpose projects in numerous communities throughout Arizona, thereby benefitting residents of the entire state.

We have found from experience that sticking with QUALITY is best in the long run. Therefore, investments in the Trust are specifically limited to only the top four credit ratings, or equivalent, of the nine assignable to municipal securities by nationally-known credit rating services. At December 31, 1996, 95.1% of the portfolio was comprised of the top three credit ratings - AAA, AA, AND A.

Emphasis is also placed on having a SPREAD OF MATURITIES in the Trust's investment portfolio. As you probably are aware, short term maturities tend to have very little price fluctuation, but produce a lesser rate of return than longer maturity securities. Conversely, long-term maturities produce a higher return level, but have a much higher price volatility factor than shorter-term issues since they reflect the risks associated with the unpredictability of future events and the potential interest rate changes over the extended life of the municipal bond.

By creating a blend of maturities, ranging from under one year to over 20 years in length, the Trust attempts to provide you with a satisfactory level of return without subjecting the share price to excessive swings as interest rates move up and down. Thus, the current average maturity of the Trust's portfolio is the relatively intermediate term of 15.1 years.

The Trust's Investment Adviser, Bank One, Arizona, NA, examines the above elements very carefully when selecting each individual "egg" for your basket of investments in order to obtain the most appropriate fit. Such careful attention seeks to provide protection for shareholders' capital and promote stability.

TAX-FREE RATE OF RETURN

What many investors sometime forget is that while the level of income from the Trust may seem unimpressive on the surface, it is DOUBLE TAX-FREE* - free of both regular Federal and State of Arizona income taxes. When the rate of return achieved by the Trust is converted into a taxable equivalent rate, the outcome is generally quite an eye-opener.

The following chart shows the average annualized level of DOUBLE TAX-FREE income return distributed to shareholders from January 1, 1996 to December 31, 1996, as measured against the maximum public offering price.** It additionally illustrates the rate of taxable income return one would have had to earn in order to equate to the DOUBLE TAX-FREE income return generated by the Trust.

[Graphic of Bar Chart with the following information:]

TAX-FREE TRUST OF ARIZONA'S DOUBLE TAX-FREE DISTRIBUTION
RATE AS COMPARED TO THE TAXABLE EQUIVALENT RATE AN
INVESTOR WOULD HAVE TO EARN AT VARIOUS TAX BRACKETS

<TABLE>

<CAPTION>

Tax Bracket <S>	Taxable Equivalent Rate <C>	Double Tax-Free Distribution Rate <C>
28%	7.38%	5.04%
31%	7.81%	5.04%
36%	8.48%	5.04%
39.6%	9.02%	5.04%

No matter which Federal income tax bracket applies, you can readily see that there is quite a difference between the TAXABLE and the DOUBLE TAX-FREE return levels.

OUR PLEDGE TO YOU

Management of Tax-Free Trust of Arizona values the confidence you have placed in us. You can be assured that we will steadfastly strive to help you cross the finish line of your investment goal.

Sincerely,
/s/ Lacy B. Herrmann
Lacy B. Herrmann
President and Chairman
of the Board of Trustees

* Some income may be subject to the alternative minimum tax for certain investors.

** The performance shown represents that of Class A shares. Such performance data quoted represents past performance and is not indicative of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The Trust's average annual total return as of 12/31/96 for the past one-year period was 3.60%; for the past five-year period was 6.57%; and for the past ten-year period was 7.02%. These returns do not take into consideration the maximum sales charge of 4%. Returns would be less if the sales charge was applied. As of 12/31/96, the Trust's 30-day SEC yield was 4.36%.

TAX-FREE TRUST OF ARIZONA
STATEMENT OF INVESTMENTS
DECEMBER 31, 1996 (UNAUDITED)

<TABLE>
<CAPTION>

FACE AMOUNT <C>	ARIZONA GENERAL OBLIGATION BONDS (29.4% OF NET ASSETS) <S>	RATING MOODY'S/ S&P <C>	MARKET VALUE <C>
\$ 750,000	Apache Co., 5.100%, 7-1-99	Baa/NR	\$ 754,687

	Bullhead City Parkway Improvement District,		
1,055,000	6.100%, 1-1-11	Baa/NR	1,077,419
1,000,000	6.100%, 1-1-12	Baa/NR	1,031,250
	Chandler, Arizona,		
500,000	7.100%, 7-1-04 (pre-refunded)	Baa1/A+	545,000
450,000	7.000%, 7-1-12, FGIC Insured	Aaa/AAA	496,688
2,000,000	5.125%, 7-1-14, MBIA Insured	Aaa/AAA	1,917,500
	Cochise Co. Unified School District No. 68 (Sierra Vista),		
1,000,000	6.000%, 7-1-06, FGIC Insured	Aaa/AAA	1,062,500
1,000,000	6.100%, 7-1-08, FGIC Insured	Aaa/AAA	1,056,250
925,000	5.750%, 7-1-09, FGIC Insured	Aaa/AAA	956,219
	Coconino Co. Unified School District No. 1 (Flagstaff),		
2,000,000	5.500%, 7-1-09, AMBAC Insured	Aaa/AAA	2,030,000
	Coconino & Yavapai Unified School District (Sedona),		
1,000,000	5.900%, 7-1-07	NR/A-	1,032,500
1,000,000	5.700%, 7-1-07, FGIC Insured	Aaa/AAA	1,042,500
	Flagstaff, Arizona,		
500,000	6.300%, 7-1-06, FGIC Insured	Aaa/AAA	531,875
1,580,000	6.000%, 7-1-07, FGIC Insured	Aaa/AAA	1,643,200
	Gila Co. Unified School District No. 10 (Payson),		
500,000	5.750%, 7-1-09, AMBAC Insured	Aaa/AAA	520,000
	La Paz Co. Unified School District No. 27 (Parker),		
800,000	6.000%, 7-1-05	Baa/NR	825,000
	Maricopa Co. Elementary School District No. 1 (Phoenix),		
250,000	5.800%, 7-1-10, FSA Insured	Aaa/AAA	259,375
	Maricopa Co. Elementary School District No. 3 (Tempe),		
500,000	8.000%, 7-1-01	A1/AA	571,875
750,000	5.400%, 7-1-12, FGIC Insured	Aaa/AAA	751,875
2,780,000	6.000%, 7-1-13, AMBAC Insured	Aaa/AAA	2,929,425
	Maricopa Co. Unified School District No. 4 (Mesa),		
2,750,000	5.500%, 7-1-06, FGIC Insured	Aaa/AAA	2,853,125
2,375,000	5.400%, 7-1-09, FSA Insured	Aaa/AAA	2,410,625
750,000	5.650%, 7-1-11, FGIC Insured	Aaa/AAA	768,750
	Maricopa Co. School District No. 8 (Osborn),		
1,945,000	6.100%, 7-1-05	A1/A	2,146,794
1,010,000	7.200%, 7-1-08 (pre-refunded)	A1/NR	1,090,800
	Maricopa Co. Unified School District No. 11 (Peoria),		
500,000	9.250%, 7-1-01, FGIC Insured	Aaa/AAA	595,625

2,000,000	6.100%, 7-1-10, AMBAC Insured	Aaa/AAA	2,137,500
	Maricopa Co. Unified School		
	District No. 25 (Liberty),		
750,000	7.500%, 7-1-05	Baa/NR	818,437
	Maricopa Co. Elementary School		
	District No. 28 (Kyrene),		
835,000	6.000%, 7-1-12, (pre-refunded)	Aaa/AAA	895,538
	Maricopa Elementary School		
	District No. 38 (Madison),		
1,350,000	5.400%, 7-1-11, FGIC Insured	Aaa/AAA	1,356,750
2,000,000	5.800%, 7-1-15, MBIA Insured	Aaa/AAA	2,065,000
	Maricopa Co. Unified School		
	District No. 41 (Gilbert),		
1,750,000	6.250%, 7-1-15, FSA Insured	Aaa/AAA	1,872,500
	Maricopa Co. Unified School		
	District No. 48 (Scottsdale),		
750,000	6.750%, 7-1-09 (pre-refunded)	Aa/AA	825,938
1,000,000	5.000%, 7-1-14	Aa/AA	955,000
	Maricopa Co. Elementary School		
	District No. 68 (Alhambra),		
1,335,000	6.800%, 7-1-10, AMBAC Insured	Aaa/AAA	1,451,812
1,000,000	5.100%, 7-1-11, AMBAC Insured	Aaa/AAA	971,250
1,000,000	5.125%, 7-1-12, AMBAC Insured	Aaa/AAA	975,000
	Maricopa Co. Unified School		
	District No. 69 (Paradise		
	Valley),		
3,250,000	7.000%, 7-1-07	A1/A+	3,644,062
2,400,000	5.800%, 7-1-09, AMBAC Insured	Aaa/AAA	2,556,000
1,000,000	5.300%, 7-1-11, MBIA Insured	Aaa/AAA	1,001,250
	Maricopa Co. Unified School		
	District No. 80 (Chandler),		
715,000	5.800%, 7-1-09, FGIC Insured	Aaa/AAA	747,175
	Maricopa Co. Unified School		
	District No. 98 (Fountain		
	Hills),		
1,000,000	5.750%, 7-1-12, AMBAC Insured	Aaa/AAA	1,030,000
	Maricopa Co. High School		
	District No. 205 (Glendale		
	Union),		
1,000,000	5.350%, 7-1-08	A1/AA-	1,018,750
1,000,000	5.500%, 7-1-11, FGIC Insured	Aaa/AAA	1,010,000
2,000,000	5.700%, 7-1-14, FGIC Insured	Aaa/AAA	2,050,000
	Maricopa Co. High School		
	District No. 210 (Phoenix		
	Union),		
2,000,000	6.750%, 7-1-04 (pre-refunded)	Aa/AA	2,202,500
1,000,000	7.100%, 7-1-04	Aa/AA	1,145,000
2,000,000	6.200%, 7-1-06	Aa/AA	2,150,000
3,000,000	5.450%, 7-1-08	Aa/AA	3,075,000
2,000,000	5.700%, 7-1-15	Aa/AA	2,020,000

	Maricopa Co. High School		
	District No. 213 (Tempe),		
1,000,000	6.000%, 7-1-12, FGIC Insured	Aaa/AAA	1,057,500
	Maricopa Co. Unified School		
	District No. 214 (Tolleson),		
1,075,000	5.000%, 7-1-10, FGIC Insured	Aaa/AAA	1,045,437
	Mesa, Arizona,		
5,425,000	5.700%, 7-1-08, MBIA Insured	Aaa/AAA	5,675,906
	Mohave Co. Unified School		
	District No. 1 (Lake Havasu),		
650,000	5.150%, 7-1-08, AMBAC Insured	Aaa/AAA	650,812
1,000,000	5.375%, 7-1-12, AMBAC Insured	Aaa/AAA	995,000
	Navajo Co. Unified School		
	District No. 1 (Winslow),		
1,000,000	5.200%, 7-1-08, AMBAC Insured	Aaa/AAA	1,006,250
	Navajo Co. Unified School		
	District No. 2 (Joseph City),		
550,000	6.700%, 7-1-00	NR/BBB-	582,312
	Navajo Co. Unified School		
	District No. 32 (Blue Ridge),		
985,000	5.900%, 7-1-08, FSA Insured	Aaa/AAA	1,042,869
640,000	5.800%, 7-1-14, FGIC Insured	Aaa/AAA	660,000
	Phoenix, Arizona,		
1,040,000	7.500%, 7-1-03	Aaa/AA+	1,207,700
1,240,000	6.250%, 7-1-17	Aa1/AA+	1,371,750
900,000	5.600%, 7-1-11	Aa1/AA+	922,500
1,500,000	5.100%, 7-1-13	Aa1/AA+	1,460,625
1,000,000	6.250%, 7-1-16	Aa1/AA+	1,102,500
2,000,000	5.000%, 7-1-19	Aa1/AA+	1,900,000
	Pima Co. Unified School District		
	No. 1 (Tucson),		
1,000,000	6.875%, 7-1-10, (pre-refunded)	Aaa/AAA	1,107,500
2,000,000	6.100%, 7-1-11, FGIC Insured	Aaa/AAA	2,097,500
	Pima Co. Unified School District		
	No. 8 (Flowing Wells),		
1,090,000	5.900%, 7-1-13	A/NR	1,121,337
	Pima Co. Unified School District		
	No.12 (Sunnyside),		
1,250,000	5.500%, 7-1-10, MBIA Insured	Aaa/AAA	1,268,750
	Pinal Co. Elementary School		
	District No. 4 (Casa Grande),		
750,000	6.000%, 7-1-04, AMBAC Insured	Aaa/AAA	802,500
	Pinal Co. School District No. 8		
	(San Manuel),		
1,000,000	6.800%, 7-1-10	NR/BBB	1,071,250
	Pinal Co. Unified School District		
	No. 43 (Apache Junction),		
1,500,000	5.850%, 7-1-15, FGIC Insured	Aaa/AAA	1,550,625
	Pinal Co. High School District		
	No. 82 (Casa Grande),		

1,500,000	5.375%, 7-1-09, AMBAC Insured	Aaa/AAA	1,526,250
	Pinewood Sanitary District,		
605,000	6.500%, 7-1-09	NR/NR*	612,562
	Prescott Valley Sewer Collection		
	Improvement District,		
500,000	7.900%, 1-1-12	NR/BBB-	557,500
	Santa Cruz Co. Unified School		
	District No. 1 (Nogales),		
400,000	7.700%, 7-1-03, (pre-refunded)	Aaa/AAA	456,500
1,000,000	5.800%, 7-1-13, FSA Insured	Aaa/AAA	1,016,250
	Scottsdale, Arizona,		
1,250,000	6.000%, 7-1-14	Aa1/AA+	1,296,875
	Tempe, Arizona,		
1,000,000	5.300%, 7-1-09	Aa/AA+	1,015,000
1,450,000	6.000%, 7-1-10	Aa/AA+	1,506,187
1,290,000	5.400%, 7-1-11	Aa/AA+	1,304,512
	Tucson, Arizona,		
500,000	5.750%, 7-1-09, FGIC Insured	Aaa/AAA	523,750
2,000,000	6.100%, 7-1-12, FGIC Insured	Aaa/AAA	2,370,175
2,500,000	5.750%, 7-1-20	Aa/AA	2,540,625
	Yavapai Co. Unified School		
	District No. 28 (Camp Verde),		
500,000	6.000%, 7-1-08, FGIC Insured	Aaa/AAA	538,750
	Yuma, Arizona,		
2,000,000	6.125%, 7-1-12, AMBAC Insured	Aaa/AAA	2,117,500
	Total Arizona General		
	Obligation Bonds		115,958,378
ARIZONA REVENUE BONDS (65.4%			
OF NET ASSETS)			
Airport Revenue Bonds (1.5%			
of Net Assets)			
Phoenix, Municipal Airport			
Authority,			
2,750,000	7.800%, 7-1-11, AMT	Aa/AA+	2,840,145
1,210,000	7.875%, 7-1-14, AMT	Aa/AA+	1,251,104
565,000	6.400%, 7-1-12, AMT, MBIA		
	Insured	Aaa/AAA	604,550
	Tucson, Municipal Airport		
	Authority,		
1,000,000	5.700%, 6-1-13, MBIA Insured	Aaa/AAA	1,012,500
	Total Arizona Airport Authority		
	Bonds		5,708,299
Basic Service Revenue Bonds			
(13.2% of Net Assets)			
Arizona Department of			
Transportation Revenue Bonds,			
1,400,000	5.100%, 7-1-11	Aa/AA	1,361,500
	Casa Grande Excise Tax Revenue		

365,000	Bonds, 6.000%, 4-1-10, FGIC Insured	Aaa/AAA	380,512
	Chandler Solid Waste System		
525,000	Revenue Bonds, 5.375%, 7-1-16	A/A	502,031
	Chandler Street & Highway User		
1,000,000	Revenue Bonds, 5.500%, 7-1-16	A/A+	978,750
	Chandler Water & Sewer Revenue		
2,015,000	Bonds, 6.250%, 7-1-13, FGIC Insured	Aaa/AAA	2,143,456
	Gilbert Water & Sewer Revenue		
2,500,000	Bonds, 6.500%, 7-1-12, FGIC Insured	Aaa/AAA	2,712,500
	Mesa Utility System Revenue		
4,000,000	Bonds, 5.375%, 7-1-12, FGIC Insured	Aaa/AAA	3,975,000
2,750,000	5.375%, 7-1-14, FGIC Insured	Aaa/AAA	2,715,625
	Phoenix, Civic Improvement		
	Corp. Water System Revenue		
4,200,000	Bonds, 5.500%, 7-1-10	Aa/AA-	4,242,000
1,885,000	5.000%, 7-1-13	A1/A	1,750,694
1,500,000	5.400%, 7-1-14	A1/AA-	1,464,375
1,250,000	5.000%, 7-1-18	A1/A	1,135,937
1,000,000	6.000%, 7-1-19	Aa/AA-	1,030,000
	Phoenix, Street & Highway User		
	Revenue Bonds, 6.250%, 7-1-06	A1/AA	2,707,875
2,490,000	6.250%, 7-1-06	A1/AA	2,707,875
1,000,000	6.500%, 7-1-08, (pre-refunded)	NR/AA	1,108,750
3,200,000	6.250%, 7-1-11	A1/AA	3,392,000
5,000,000	6.250%, 7-1-11	A/A+	5,237,500
3,265,000	6.250%, 7-1-11 MBIA Insured	Aaa/AAA	3,501,713
	Pima County, Sewer Revenue		
1,350,000	Bonds, 6.750%, 7-1-15, FGIC Insured	Aaa/AAA	1,464,750
	Sedona Sewer Revenue Bonds, 8.750%, 7-1-10 (pre-refunded)	NR/AAA	2,993,250
2,600,000	7.400%, 7-1-11 (pre-refunded)	NR/AAA	783,125
700,000	7.000%, 7-1-12	NR/BBB	1,130,169
1,055,000	Sierra Vista, Street & Highway		
	Revenue Bonds, 6.400%, 7-1-03, AMBAC Insured	Aaa/AAA	518,125
500,000	Tucson, Water System Revenue		
	Bonds, 7.000%, 7-1-10, MBIA Insured	Aaa/AAA	528,750
500,000	6.700%, 7-1-12	A1/A+	1,621,875
1,500,000	5.750%, 7-1-18	A1/A+	2,256,225
2,245,000	6.000%, 7-1-21, MBIA Insured	Aaa/AAA	518,750
500,000	Total Basic Service Revenue		

Bonds

52,155,237

	Hospital Revenue Bonds (4.3% of Net Assets)		
	Arizona Health Facilities (Northern Arizona Healthcare System),		
695,000	5.250%, 10-1-10, MBIA Insured	Aaa/AAA	679,368
	Arizona Health Facilities (St. Luke's Health System),		
3,175,000	7.250%, 11-1-14, (pre-refunded)	Aaa/NR	3,599,656
	Arizona Health Facilities (Samaritan Health),		
2,500,000	5.625%, 12-1-15, MBIA Insured	Aaa/AAA	2,500,000
	Chandler Industrial Development Authority (Ahwatukee Medical Facility),		
900,000	7.000%, 7-1-22	NR/NR*	885,375
	Maricopa Co. Industrial Development Authority (Mercy Health Care System-St. Joseph's Hospital) Revenue Bonds,		
1,015,000	7.750%, 11-1-10	NR/AAA	1,167,250
	Mesa Industrial Development Authority (Western Health),		
2,000,000	7.625%, 1-1-19, BIGI Insured	Aaa/AAA	2,165,000
	Mohave Co. Industrial Development Authority (Baptist Hospital),		
1,150,000	5.700%, 9-1-15, MBIA Insured	Aaa/AAA	1,158,625
	Pima Co. Industrial Development Authority (Tucson Medical Center),		
1,000,000	6.375%, 4-1-12, MBIA Insured	Aaa/AAA	1,067,500
400,000	7.000%, 4-1-14, MBIA Insured	Aaa/AAA	406,300
500,000	5.000%, 4-1-15, MBIA Insured	Aaa/AAA	473,125
	Scottsdale Industrial Development Authority (Scottsdale Memorial Hospital),		
2,000,000	5.500%, 9-1-12, AMBAC Insured	Aaa/AAA	2,025,000
1,000,000	6.125%, 9-1-17, AMBAC Insured#	Aaa/AAA	1,011,250
	Total Hospital Revenue Bonds		17,138,449
	Lease Revenue Bonds (8.4% of Net Assets)		
	Arizona Certificates of Participation Lease Revenue Bonds,		
840,000	6.625%, 9-1-08, FSA Insured	Aaa/AAA	911,400
2,000,000	6.500%, 3-1-08, FSA Insured	Aaa/AAA	2,162,500

	Arizona Municipal Finance		
	Program No. 20,		
1,300,000	7.700%, 8-1-10, BIGI Insured	Aaa/AAA	1,522,625
	Arizona Municipal Finance		
	Program No. 34,		
1,000,000	7.250%, 8-1-09, BIGI Insured	Aaa/AAA	1,183,750
	Avondale Municipal Facilities		
	Lease Revenue Bonds,		
350,000	7.150%, 7-1-13, MBIA Insured	Aaa/AAA	367,062
1,185,000	5.200%, 7-1-13, MBIA Insured	Aaa/AAA	1,147,969
	Bullhead City Municipal Property		
	Corp. Lease Revenue Bonds,		
1,670,000	5.200%, 7-1-09, MBIA Insured	Aaa/AAA	1,659,563
500,000	7.200%, 7-1-10, FGIC Insured	Aaa/AAA	544,375
	Glendale Municipal Property		
	Corp. Lease Revenue Bonds,		
1,000,000	7.000%, 7-1-09, MBIA Insured	Aaa/AAA	1,061,250
	Lake Havasu City Certificates		
	of Participation Lease		
	Revenue Bonds,		
950,000	5.625%, 6-1-04, FGIC Insured	Aaa/AAA	991,562
500,000	7.000%, 6-1-05, FGIC Insured	Aaa/AAA	547,500
	Maricopa Co. Certificates of		
	Participation Lease Revenue		
	Bonds,		
1,000,000	6.000%, 6-1-04	Baa/BBB	1,033,750
	Nogales Municipal Development		
	Authority Lease Revenue Bonds,		
500,000	8.000%, 6-1-08, (pre-refunded)	Aaa/AAA	532,500
	Oro Valley Municipal Property		
	Corp. Lease Revenue Bonds,		
2,085,000	5.375%, 7-1-26, MBIA Insured	Aaa/AAA	2,030,269
	Phoenix Civic Improvement Lease		
	Revenue Bonds,		
1,890,000	6.300%, 7-1-14	Aa/AA+	2,008,125
1,500,000	6.000%, 7-1-14	Aa/AA+	1,561,875
	Pinal Co. Certificates of		
	Participation Lease Revenue		
	Bonds,		
1,180,000	6.250%, 6-1-04	NR/AA	1,262,600
	Prescott Municipal Property		
	Corp. Lease Revenue Bonds,		
1,000,000	7.000%, 7-1-10 (pre-refunded)	Aaa/AAA	1,077,500
	Scottsdale Municipal Property		
	Corp. Lease Revenue Bonds,		
2,200,000	6.250%, 11-1-10, FGIC Insured	Aaa/AAA	2,332,000
2,620,000	6.250%, 11-1-14, FGIC Insured	Aaa/AAA	2,744,450
	Tucson Certificate of		
	Participation Lease Revenue		
	Bonds,		

525,000	5.700%, 7-1-02	NR/A-	528,937
1,000,000	6.375%, 7-1-09	Baa1/AA	1,063,750
	Tucson Business Development Finance Corp,		
2,275,000	6.250%, 7-1-12, FGIC Insured	Aaa/AAA	2,420,031
	University of Arizona Certificates of Participation Lease Revenue Bonds,		
1,000,000	5.650%, 9-1-09, FSA Insured	Aaa/AAA	1,025,000
	Yuma Municipal Property Corp. Lease Revenue Bonds,		
1,385,000	5.250%, 7-1-12, AMBAC Insured	Aaa/AAA	1,352,106
	Total Lease Revenue Bonds		33,072,449
	Mortgage Revenue Bonds (3.8% of Net Assets)		
	Maricopa Co. Industrial Development Authority Single Family Mortgage Revenue Bonds,		
1,250,000	0.000%, 12-31-14	Aaa/AAA	437,500
	Maricopa Co. Industrial Development Authority Multi-Family Mortgage Revenue Bonds (Advantage Point Project),		
1,000,000	6.500%, 7-1-16	A/NR	1,007,500
	Mohave Co. Industrial Development Authority (Chris Ridge Village),		
1,040,000	6.250%, 11-1-16	NR/AAA	1,080,300
	Peoria Industrial Development Authority (Casa Del Rio),		
2,500,000	7.300%, 2-20-28	NR/AAA	2,712,500
	Phoenix Industrial Development Authority Single Family Mortgage Revenue,		
1,750,000	6.300%, 12-1-12, AMT	NR/AAA	1,804,687
	Pima Co. Industrial Development Authority (Broadway Proper),		
500,000	8.150%, 12-1-25	NR/A-	551,225
	Pima Co. Industrial Development Authority Single Family Mortgage Revenue,		
330,000	7.625%, 2-1-12	A/NR	344,850
1,015,000	6.500%, 2-1-17	A/NR	1,037,838
2,000,000	6.750%, 11-1-27, AMT	NR/AAA	2,082,500
	Scottsdale Industrial Development Authority (Westminster Village),		
1,185,000	7.700%, 6-1-06	NR/NR*	1,270,912

500,000	10.000%, 6-1-17 (pre-refunded) Tempe Industrial Development Authority (Friendship Village),	NR/NR*	527,735
1,500,000	6.500%, 12-1-08 Tucson & Pima Co. Single Family Mortgage Revenue Bonds,	NR/NR*	1,492,500
2,000,000	0.000%, 12-1-14 Total Mortgage Revenue Bonds	Aaa/AAA	695,000 15,045,047
	Pollution Control Revenue Bonds (7.2% of Net Assets) Casa Grande Industrial Development Authority (Frito Lay) Revenue Bonds,		
250,000	6.650%, 12-1-14 Gila Co. Pollution Control (Asarco) Revenue Bonds,	A1/NR	271,250
3,900,000	8.900%, 7-1-06 Gilbert Industrial Development Authority Wastewater Reclamation Facility Revenue Bonds,	Baa2/BBB	4,089,384
600,000	10.000%, 10-1-10 (pre-refunded) Greenlee Co. Pollution Control (Phelps Dodge) Revenue Bonds,	NR/NR*	719,250
9,185,000	5.450%, 6-1-09 Mohave Co. Industrial Development Authority (North Star Steel) Revenue Bonds,	A2/A	9,207,962
4,150,000	5.500%, 12-1-20, AMT Navajo Co. Pollution Control Revenue Bonds (Arizona Public Service),	Aa3/AA-	4,051,437
5,000,000	5.875%, 8-15-28, MBIA Insured Pinal Co. Industrial Development Authority Bonds (Browning Ferris),	Aaa/AAA	5,075,000
5,000,000	5.000%, 2-1-06, AMT Total Pollution Control Revenue Bonds	A2/A	4,925,000 28,339,283
	University Revenue Bonds (10.5% of Net Assets) Arizona Board of Regents-Arizona State University System Revenue Bonds,		
3,000,000	5.500%, 7-1-19	A1/AA	2,928,750
6,750,000	5.750%, 7-1-12	A1/AA	6,825,938

3,000,000	5.500%, 7-1-19 MBIA Insured	Aaa/AAA	2,985,000
7,000,000	6.125%, 7-1-15	A1/AA	7,201,250
Arizona Board of Regents-Northern Arizona University System Revenue Bonds,			
500,000	9.900%, 6-1-98	A1/A+	540,625
1,000,000	6.400%, 6-1-07, FGIC Insured	Aaa/AAA	1,073,750
1,480,000	7.500%, 6-1-07 (pre-refunded)	A1/A+	1,592,850
3,150,000	5.800%, 6-1-08, AMBAC Insured	Aaa/AAA	3,264,187
Arizona Board of Regents-University of Arizona System Revenue Bonds,			
2,750,000	6.250%, 6-1-11	A1/AA	2,897,813
3,000,000	7.000%, 6-1-15 (pre-refunded)	A1/AA	3,303,750
Arizona Educational Loan Mktg Corp.,			
1,000,000	6.000%, 9-1-01, AMT	Aa/NR	1,036,250
450,000	7.000%, 3-1-05, AMT	A/NR	475,312
1,720,000	5.700%, 12-1-08, AMT	A/NR	1,715,700
Arizona Student Loan Revenue,			
500,000	6.600%, 5-1-10	Aa/NR	527,500
East Valley Institute of Technology,			
820,000	6.000%, 7-1-05, AMBAC Insured	Aaa/AAA	857,925
Glendale Industrial Development Authority (American Graduate School),			
300,000	7.125%, 7-1-20, (pre-refunded)	NR/AAA	350,250
2,100,000	5.625%, 7-1-20, CONLEE Insured	NR/AAA	2,076,375
Yavapai Co. Community College District Revenue Bonds,			
1,070,000	5.400%, 7-1-10, FGIC Insured	Aaa/AAA	1,078,025
500,000	6.000%, 7-1-12	NR/A-	514,375
Total University Revenue Bonds			41,245,625
Utility Revenue Bonds (16.5% of Net Assets)			
Arizona Power Authority (Hoover Dam Project) Revenue Bonds,			
2,870,000	5.300%, 10-1-06, MBIA Insured	Aaa/AAA	2,941,750
8,500,000	5.375%, 10-1-13, MBIA Insured##	Aaa/AAA	8,372,500
2,425,000	5.250%, 10-1-17, MBIA Insured	Aaa/AAA	2,318,906
Arizona Wastewater Management Authority Revenue Bonds,			
1,700,000	6.800%, 7-1-11	Aa/AA+	1,876,375
1,240,000	5.625%, 7-1-15, AMBAC Insured	Aaa/AAA	1,249,300
Central Arizona Water			

	Conservation District Revenue		
	Bonds,		
1,500,000	4.750%, 5-1-09, MBIA Insured	Aaa/AAA	1,426,875
2,000,000	5.500%, 11-1-09	A1/AA-	2,052,500
1,000,000	5.500%, 11-1-10	A1/AA-	1,028,750
3,000,000	7.125%, 11-1-11 (pre-refunded)	A1/AA-	3,345,000
2,000,000	6.500%, 11-1-11 (pre-refunded)	A1/AA-	2,192,500
	Maricopa Co. Industrial Development Authority (Citizens Utility),		
1,000,000	6.875%, 9-1-03 AMT	NR/AA+	1,032,680
	Mohave Co. Industrial Development Authority (Citizens Utility),		
3,000,000	7.050%, 8-1-20	NR/AA+	3,262,500
	Pima Co. Industrial Development Authority (Tucson Electric) Revenue Bonds,		
2,920,000	7.250%, 7-15-10, FSA Insured	Aaa/AAA	3,226,600
	Salt River Project Agricultural Improvement and Power Revenue Bonds,		
4,500,000	6.200%, 1-1-12	Aa/AA	4,691,250
2,000,000	5.250%, 1-1-13	Aa/AA	1,952,500
650,000	6.000%, 1-1-13	Aa/AA	669,500
1,200,000	5.250%, 1-1-19	Aa/AA	1,143,000
8,500,000	6.250%, 1-1-19	Aa/AA	8,893,125
8,000,000	6.250%, 1-1-27	Aa/AA	7,288,750
3,230,000	5.750%, 1-1-19	Aa/AA	3,238,075
2,000,000	5.000%, 1-1-13	Aa/AA	1,897,500
	Santa Cruz Industrial Development Authority (Citizens Utility),		
1,020,000	7.150%, 2-1-23, AMT	NR/AA+	1,077,375
	Total Utility Revenue Bonds		65,177,311
	Total Arizona Revenue Bonds		257,881,700
	PUERTO RICO BONDS (3.9% OF NET ASSETS)		
	Puerto Rico General Obligation Bonds,		
1,000,000	6.250%, 7-1-10	Baa1/A	1,048,750
1,500,000	6.350%, 7-1-10	Baa1/A	1,597,500
2,300,000	6.000%, 7-1-14, MBIA Insured	Aaa/AAA	2,394,875
2,035,000	6.450%, 7-1-17	Baa1/A	2,177,450
	Puerto Rico Highway Authority Revenue Bonds,		
500,000	7.600%, 7-1-02 (pre-refunded)	Baa1/A	561,250
2,750,000	5.500%, 7-1-26	Baa1/A	2,657,188
	Puerto Rico Industrial, Medical & Environmental Revenue Bonds,		

3,500,000	6.250%, 11-15-13, (Pepsico)	A1/A	3,745,000
1,000,000	7.600%, 5-1-14, (Warner Lambert)	NR/AA3	1,092,500
	Total Puerto Rico Bonds		15,274,513
	Total Investments (cost		
	\$374,099,855**)	98.7%	389,114,591
	Other assets in excess		
	of liabilities	1.3%	5,303,089
	Net Assets	100.0%	\$ 394,417,680

<FN>

* Any security not rated must be determined by the Investment Adviser to have sufficient quality to be ranked in the top four credit ratings if a credit rating were to be assigned by a rating service.

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<FN>

+ When-issued security.

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<FN>

++ This security is pledged as collateral for the Trust's when-issued commitments.

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<FN>

** Cost for Federal tax purposes is identical.

</FN>

</TABLE>

TAX-FREE TRUST OF ARIZONA
STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 1996 (UNAUDITED)

<TABLE>

<S> <C>

ASSETS

Investments at value (identified cost - \$374,099,855)	\$ 389,114,591
Interest receivable	9,406,632
Receivable for Trust shares sold	271,865
Other assets	25,667
Total assets	398,818,755

LIABILITIES

Payable for investment securities purchased	3,371,726
Cash overdraft	495,720
Dividends payable	216,066
Distribution fees payable	160,710
Adviser and Administrator fees payable	133,521
Accrued expenses	23,332
Total liabilities	4,401,075

NET ASSETS \$ 394,417,680

Net Assets consist of:

Capital Stock - Authorized an unlimited number of shares, par value \$.01 per share	\$ 374,037
Additional paid-in capital	378,119,554
Accumulated net gain on investments	909,353
Net unrealized appreciation on investments	15,014,736
	\$ 394,417,680

CLASS A

Net Assets	\$ 394,402,168
Capital shares outstanding	37,402,215
Net asset value and redemption price per share	\$10.54
Offering price per share (100/96 of \$10.54 adjusted to nearest cent)	\$10.98

CLASS C

Net Assets	\$ 15,406
Capital shares outstanding	1,461
Net asset value and offering price per share	\$ 10.54
Redemption price per share (*varies by length of time shares are held)	\$ *

CLASS Y

Net Assets	\$ 106
Capital shares outstanding	10
Net asset value, offering and redemption price per share	\$ 10.54

</TABLE>

See accompanying notes to financial statements.

TAX-FREE TRUST OF ARIZONA

STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED DECEMBER 31, 1996 (UNAUDITED)

<TABLE>

<S>	<C>	<C>
INVESTMENT INCOME:		
Interest income		\$ 11,365,707

Expenses:

Investment Adviser fees (note B)	\$ 394,837
Administrator fees (note B)	394,837
Distribution fees (note B)	298,747
Transfer and shareholder servicing agent fees	136,000
Trustees' fees and expenses	42,000
Legal fees	38,000
Shareholders' meeting, reports, and proxy statements	29,000

Registration fees and dues	18,000	
Custodian fees (note F)	17,938	
Audit and accounting fees	16,000	
Insurance	3,000	
Miscellaneous	28,037	
	1,416,396	
Expenses paid indirectly (note F)	(17,938)	
Net expenses		1,398,458
Net investment income		9,967,249
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain from securities transactions	1,140,835	
Change in unrealized appreciation on investments	5,269,214	
Net realized and unrealized gain on investments		6,410,049
Net increase in net assets resulting from operations		\$16,377,298

</TABLE>

See accompanying notes to financial statements.

TAX-FREE TRUST OF ARIZONA
STATEMENTS OF CHANGES IN NET ASSETS
(UNAUDITED)

<TABLE>

<CAPTION>

	SIX MONTHS ENDED DECEMBER 31, 1996	YEAR ENDED JUNE 30, 1996
<S>	<C>	<C>
OPERATIONS:		
Net investment income	\$ 9,967,249	\$ 20,522,796
Net realized gain from securities transactions	1,140,835	3,478,590
Change in unrealized appreciation on investments	5,269,214	(3,409,293)
Change in net assets resulting from operations	16,377,298	20,592,093

DISTRIBUTIONS TO SHAREHOLDERS (NOTE E):

Class A Shares:

Net investment income	(9,985,040)	(20,402,751)
Distributions in excess of net investment income	(242,323)	-
Net realized gain on investments	-	-

Class C Shares:

Net investment income	(144)	(30)
-----------------------	-------	------

Distributions in excess of net investment income	(5)	-
Net realized gain on investments	-	-
Class Y Shares:		
Net investment income	(4)	-
Distributions in excess of net investment income	-	-
Net realized gain on investments	-	-
Change in net assets from distributions	(10,227,516)	(20,402,781)
CAPITAL SHARE TRANSACTIONS (NOTE G):		
Proceeds from shares sold	15,405,615	40,514,488
Reinvested dividends and distributions	5,240,172	10,491,841
Cost of shares redeemed	(21,466,677)	(42,852,271)
Change in net assets from capital share transactions	(820,890)	8,154,058
Change in net assets	5,328,892	8,343,370
NET ASSETS:		
Beginning of period	389,088,788	380,745,418
End of period	\$394,417,680	\$ 389,088,788

</TABLE>

See accompanying notes to financial statements.

TAX-FREE TRUST OF ARIZONA
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Tax-Free Trust of Arizona (the "Trust"), a non-diversified, open-end investment company, was organized on October 17, 1985, as a Massachusetts business trust and commenced operations on March 13, 1986. The Trust is authorized to issue an unlimited number of shares and, since its inception to April 1, 1996, offered only one class of shares. On that date, the Trust began offering two additional classes of shares, Class C and Class Y shares. All shares outstanding prior to that date were designated as Class A shares and, as was the case since inception, are sold with a front-payment sales charge and bear an annual service fee. Class C shares are sold with a level-payment sales charge with no payment at time of purchase but level service and distribution fees from date of purchase through a period of six years thereafter. A contingent deferred sales charge is assessed to any Class C shareholder who redeems shares of this Class within one year from the date of purchase. The Class Y shares are only offered to institutions acting for an investor in a fiduciary, advisory, agency, custodian or similar capacity. They are not available to individual retail investors. Class Y shares are sold at net asset value without any sales charge, redemption fees, contingent deferred sales charge or distribution or service fees. All classes of shares

represent interests in the same portfolio of investments in the Trust and are identical as to rights and privileges. They differ only with respect to the effect of sales charges, the distribution and/or service fees borne by the respective class, expenses specific to each class, voting rights on matters affecting a single class and the exchange privileges of each class.

The following is a summary of significant accounting policies followed by the Trust in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles for investment companies.

- (1) **PORTFOLIO VALUATION:** Municipal securities which have remaining maturities of more than 60 days are valued each business day based upon information provided by a nationally prominent independent pricing service and periodically verified through other pricing services; in the case of securities for which market quotations are readily available, securities are valued at the mean of bid and asked quotations and, in the case of other securities, at fair value determined under procedures established by and under the general supervision of the Board of Trustees. Securities which mature in 60 days or less are valued at amortized cost if their term to maturity at purchase was 60 days or less, or by amortizing their unrealized appreciation or depreciation on the 61st day prior to maturity, if their term to maturity at purchase exceeded 60 days.

In Fiscal 1997, the Trust began amortizing bond premium using the constant yield method. Accordingly, net unrealized appreciation and additional paid-in capital have been adjusted by equal amounts at the beginning of the year. This change had no effect on the Trust's net asset value or distribution policy and conforms to the amortization policy followed by the Trust for Federal tax purposes.

- (2) **SECURITIES TRANSACTIONS AND RELATED INVESTMENT INCOME:** Securities transactions are recorded on the trade date. Realized gains and losses from securities transactions are reported on the identified cost basis. Interest income is recorded daily on the accrual basis and is adjusted for amortization of premium and accretion of original issue discount. Market discount is recognized upon disposition of the security.
- (3) **FEDERAL INCOME TAXES:** It is the policy of the Trust to qualify as a regulated investment company by complying with the provisions of the Internal Revenue Code applicable to certain investment companies. The Trust intends to make distributions of income and securities profits sufficient to relieve it from all, or substantially all, Federal income and excise taxes.
- (4) **ALLOCATION OF EXPENSES:** Expenses, other than class-specific expenses, are allocated daily to each class of shares based on the relative net assets of each class. Class-specific expenses, which

include distribution and service fees and any other items that are specifically attributed to a particular class, are charged directly to such class.

- (5) USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

NOTE B - MANAGEMENT ARRANGEMENTS AND FEES AND OTHER TRANSACTIONS WITH AFFILIATES:

Management affairs of the Trust are conducted through two separate management arrangements.

Bank One, Arizona, NA (the "Adviser"), formerly known as The Valley National Bank of Arizona, became Investment Adviser to the Trust in March, 1986. In this role, under an Investment Advisory Agreement, the Adviser supervises the Trust's investments and provides various services to the Trust, including maintenance of the Trust's accounting books and records, for which it is entitled to receive a fee which is payable monthly and computed as of the close of business each day at the annual rate of 0.20 of 1% of the net assets of the Trust.

The Trust also has an Administration Agreement with Aquila Management Corporation (the "Administrator"), the Trust's founder and sponsor. Under this Agreement, the Administrator provides all administrative services, other than those relating to the management of the Trust's investments. These include providing the office of the Trust and all related services as well as overseeing the activities of all the various support organizations to the Trust such as the shareholder servicing agent, custodian, legal counsel, auditors and distributor. For its services, the Administrator is entitled to receive a fee which is payable monthly and computed as of the close of business each day at the annual rate of 0.20 of 1% of the net assets of the Trust.

Specific details as to the nature and extent of the services provided by the Adviser and the Administrator are more fully defined in the Trust's Prospectus and Statement of Additional Information.

The Adviser and the Administrator each agrees that the above fees shall be reduced, but not below zero, by an amount equal to one-half of the amount, if any, by which the total expenses of the Trust in any fiscal year, exclusive of taxes, interest and brokerage fees, shall exceed the lesser of (i) 2.5% of the first \$30 million of average annual net assets of the Trust plus 2% of the next \$70 million of such assets and 1.5% of its average annual net assets in excess of \$100 million, or (ii) 25% of the Trust's total annual investment income. The payment of the above fees at the end of any month

will be reduced or postponed so that at no time will there be any accrued but unpaid liability under this expense limitation. No such reduction in fees was required during the six months ended December 31, 1996.

For the six months ended December 31, 1996, the Trust incurred fees under the Advisory Agreement and Administration Agreement of \$394,837 and \$394,837, respectively.

Under a Distribution Agreement, Aquila Distributors, Inc. (the "Distributor") serves as the exclusive distributor of the Trust's shares. Through agreements between the Distributor and various broker-dealer firms ("dealers"), the Trust's shares are sold primarily through the facilities of these dealers having offices within Arizona, with the bulk of sales commissions inuring to such dealers. For the six months ended December 31, 1996, the Distributor received sales commissions in the amount of \$51,685.

The Trust has adopted a Distribution Plan (the "Plan") pursuant to Rule 12b-1 (the "Rule") under the Investment Company Act of 1940. Under one part of the Plan, with respect to Class A Shares, the Trust is authorized to make service fee payments to broker-dealers or others ("Qualified Recipients") selected by the Distributor, including, but not limited to, any principal underwriter of the Trust, with which the Distributor has entered into written agreements contemplated by the Rule and which have rendered assistance in the distribution and/or retention of the Trust's shares or servicing of shareholder accounts. The Trust makes payment of this service fee at the annual rate of 0.15% of the Trust's average net assets represented by Class A Shares. For the six months ended December 31, 1996, service fees on Class A Shares amounted to \$298,713, of which the Distributor received \$8,616.

Under another part of the Plan, the Trust is authorized to make payments with respect to Class C Shares to Qualified Recipients which have rendered assistance in the distribution and/or retention of the Trust's Class C shares or servicing of shareholder accounts. These payments are made at the annual rate of 0.75% of the Trust's net assets represented by Class C Shares and for the six months ended December 31, 1996, amounted to \$25, of which the Distributor received \$25.

In addition, under a Shareholder Services Plan, the Trust is authorized to make service fee payments with respect to Class C Shares to Qualified Recipients for providing personal services and/or maintenance of shareholder accounts. These payments are made at the annual rate of 0.25% of the Trust's net assets represented by Class C Shares and for the six months ended December 31, 1996, amounted to \$9, of which the Distributor received \$9.

Specific details about the Plans are more fully defined in the Trust's Prospectus and Statement of Additional Information.

NOTE C - PURCHASES AND SALES OF SECURITIES:

During the six months ended December 31, 1996, purchases of securities

and proceeds from the sales of securities aggregated \$37,487,206 and \$40,294,692, respectively.

At December 31, 1996, aggregate gross unrealized appreciation for all securities in which there is an excess of market value over tax cost amounted to \$15,471,359 and aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over market value amounted

to \$456,623 for a net unrealized appreciation of \$15,014,736.

NOTE D - PORTFOLIO ORIENTATION:

Since the Trust invests principally and may invest entirely in double tax-free municipal obligations of issuers within Arizona, it is subject to possible risks associated with economic, political, or legal developments or industrial or regional matters specifically affecting Arizona and whatever effects these may have upon Arizona issuers' ability to meet their obligations. The Trust is also permitted to invest in U.S. territorial municipal obligations meeting comparable quality standards and providing income which is exempt from both regular Federal and Arizona income taxes. The general policy of the Trust is to invest in such securities only when comparable securities of Arizona issuers are not available in the market. At December 31, 1996, the Trust had 3.9% of its total net assets invested in eight Puerto Rico municipal issues.

NOTE E - DISTRIBUTIONS:

The Trust declares dividends daily from net investment income and makes payments monthly in additional shares at the net asset value per share or in cash, at the shareholder's option. Net realized capital gains, if any, are distributed annually.

The Trust intends to maintain, to the maximum extent possible, the tax-exempt status of interest payments received from portfolio municipal securities in order to allow dividends paid to shareholders from net investment income to be exempt from regular Federal and State of Arizona income taxes. However, due to differences between financial reporting and Federal income tax reporting requirements, distributions made by the Trust may not be the same as the Trust's net investment income, and/or net realized securities gains. Further, a small portion of the dividends may, under some circumstances, be subject to ordinary income taxes. For certain shareholders, some dividend income may, under some circumstances, be subject to the alternative minimum tax. Also, annual capital gains distributions, if any, are taxable.

NOTE F - CUSTODIAN FEES:

The Trust has negotiated an expense offset arrangement with its custodian, Bank One Trust Company, N.A., an affiliate of the Adviser, wherein it receives credit toward the reduction of custodian fees whenever there are

uninvested cash balances. During the six months ended December 31, 1996, the Trust's custodian fees amounted to \$17,938, all of which was offset by such credits. It is the general intention of the Trust to invest, to the extent practicable, some or all of cash balances in income-producing assets rather than leave cash on deposit with the custodian.

NOTE G - CAPITAL SHARE TRANSACTIONS:

Transactions in Capital Shares of the Trust were as follows:

<TABLE>

<CAPTION>

<S>	Six Months Ended December 31, 1996		Year Ended June 30, 1996	
	Shares <C>	Amount <C>	Shares <C>	Amount <C>
CLASS A SHARES:				
Proceeds from shares sold	1,472,780	\$15,395,616	3,904,052	\$40,508,288
Reinvested dividends and distributions	499,934	5,240,024	1,001,618	10,491,806
Cost of shares redeemed	(2,051,965)	(21,465,568)	(4,132,065)	(42,852,271)
Net change	(79,251)	\$ (829,928)	773,605	\$8,147,823

<CAPTION>

<S>	<C>	<C>	Period Ended June 30, 1996*	
			Shares <C>	Amount <C>
CLASS C SHARES:				
Proceeds from shares sold	952	\$10,000	587	\$6,100
Reinvested dividends and distributions	13	145	3	33
Cost of shares redeemed	(95)	(1,107)	-	-
Net change	870	\$9,038	590	\$6,133

<CAPTION>

<S>	<C>	<C>	Period Ended June 30, 1996*	
			Shares <C>	Amount <C>
CLASS Y SHARES:				
Proceeds from shares sold	-	\$-	10	\$100
Reinvested dividends and distributions	-	-	-	2
Cost of shares redeemed	-	-	-	-
Net change	-	-	10	\$102

<S>	<C>	<C>	<C>	<C>
Total transactions in Trust shares	(78,381)	\$ (820,890)	774,205	\$8,154,058

<FN>

* From April 1, 1996 (date of inception) through June 30, 1996.

</FN>

</TABLE>

TAX-FREE TRUST OF ARIZONA
FINANCIAL HIGHLIGHTS
(UNAUDITED)

For a share outstanding throughout each period

<TABLE>

<CAPTION>

	Six Months Ended		Class A (1) Year Ended June 30			
	Dec. 31, 1996	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of Period	\$10.38	\$10.37	\$10.16	\$10.84	\$10.36	\$9.92
Income from Investment Operations:						
Net investment income	0.27	0.55	0.56	0.57	0.62	0.66
Net gain (loss) on securities (both realized and unrealized)	0.17	0.01	0.21	(0.60)	0.54	0.43
Total from Investment Operations	0.44	0.56	0.77	(0.03)	1.16	1.09
Less Distributions:						
Dividends from net investment income	(0.28)	(0.55)	(0.56)	(0.57)	(0.62)	(0.65)
Distributions from capital gains	-	-	-	(0.08)	(0.06)	-
Total Distributions	(0.28)	(0.55)	(0.56)	(0.65)	(0.68)	(0.65)
Net Asset Value, End of Period	\$10.54	\$10.38	\$10.37	\$10.16	\$10.84	\$10.36
Total Return (not reflecting sales charge) (%)	4.25#	5.49	7.89	(0.38)	11.45	11.36
Ratios/Supplemental Data						
Net Assets, End of Period (\$ thousands)	394,402	389,083	380,745	372,093	349,920	237,433
Ratio of Expenses to Average Net Assets (%)	0.70*	0.72	0.74	0.70	0.65	0.57
Ratio of Net Investment						

Income to Average Net Assets (%)	5.06*	5.30	5.55	5.36	5.76	6.37
Portfolio Turnover Rate (%)	9.65	27.37	34.44	31.20	18.78	23.53

<CAPTION>

Net investment income per share and the ratios of income and expenses to average net assets without the Adviser's and Administrators voluntary waiver of fees and the expense offset in custodian fees for uninvested cash balances would have been:

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Investment Income (\$)	0.27	0.55	0.56	0.57	0.61	0.65
Ratio of Expenses to Average Net Assets (%)	0.71*	0.73	0.74	0.71	0.73	0.70
Ratio of Net Investment Income to Average Net Assets (%)	5.05*	5.30	5.55	5.35	5.67	6.24

<FN>

(1) Designated as Class A Shares on April 1, 1996.

</FN>

<FN>

Not annualized.

</FN>

<FN>

* Annualized.

</FN>

</TABLE>

See accompanying notes to financial statements.

TAX-FREE TRUST OF ARIZONA
FINANCIAL HIGHLIGHTS (CONTINUED)
(UNAUDITED)

For a share outstanding throughout each period

<TABLE>

<CAPTION>

	Class C(1)		Class Y(1)	
	Six Months Ended Dec. 31, 1996	Period(2) Ended June 30, 1996	Six Months Ended Dec. 31, 1996	Period(2) Ended June 30, 1996
<S>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of Period	\$10.38	\$10.45	\$10.38	\$10.45
Income from Investment Operations:				
Net investment income	0.22	0.13	0.28	0.15
Net gain (loss) on securities (both realized				

and unrealized)	0.17	(0.07)	0.16	(0.07)
Total from Investment Operations	0.39	0.06	0.44	0.08
Less Distributions:				
Dividends from net investment income	(0.23)	(0.13)	(0.28)	(0.15)
Distributions from capital gains	-	-	-	-
Total Distributions	(0.23)	(0.13)	(0.28)	(0.15)
Net Asset Value, End of Period	\$10.54	\$10.38	\$10.54	\$10.38
Total Return (not reflecting sales charge) (%)	3.81#	0.57#	5.21#	0.76#
Ratios/Supplemental Data				
Net Assets, End of Period (\$ thousands)	15	6	0.1	0.1
Ratio of Expenses to Average Net Assets (%)	1.54*	0.40#	0.54*	0.15#
Ratio of Net Investment Income to Average Net Assets (%)	4.25*	1.17#	5.21*	1.42#
Portfolio Turnover Rate (%)	9.65	27.37	9.65	27.37

<CAPTION>

Net investment income per share and the ratios of income and expenses to average net assets without the expense offset in custodian fees for uninvested cash balances would have been:

<S>	<C>	<C>	<C>	<C>
Net Investment Income (\$)	0.22	0.04	0.28	0.15
Ratio of Expenses to Average Net Assets (%)	1.55*	0.40#	0.55*	0.15#
Ratio of Net Investment Income to Average Net Assets (%)	4.24*	1.17#	5.20*	1.42#

<FN>

(1) New Class of Shares established on April 1, 1996.

</FN>

<FN>

(2) From April 1, 1996 to June 30, 1996.

</FN>

<FN>

Not annualized.

</FN>

<FN>

* Annualized.

</FN>

</TABLE>

See accompanying notes to financial statements.

REPORT ON THE ANNUAL AND SPECIAL MEETINGS OF SHAREHOLDERS (UNAUDITED)

The Annual Meeting of Shareholders of the Tax-Free Trust of Arizona (the "Trust") was held on October 28, 1996.* At the meeting, the following matters were submitted to a shareholder vote and approved:

- (i) the election of Lacy B. Herrmann, Philip E. Albrecht, Arthur K. Carlson, Thomas W. Courtney, William L. Ensign, Diana P. Herrmann, John C. Lucking, Anne J. Mills, and William T. Quinsler as Trustees to hold office until the next annual meeting of the Trust's shareholders or until his or her successor is duly elected (each Trustee received at least 233,506,702.16 affirmative votes (98.33%); no more than 3,953,930.47 votes (1.67%) were withheld for any Trustee), and
- (ii) the ratification of the selection of KPMG Peat Marwick LLP as the Trust's independent auditors for the fiscal year ending June 30, 1997 (votes for: 226,994,186.96 (95.59%); votes against: 755,311.06 (0.32%); abstentions: 9,711,134.65 (4.09%); broker non-votes: 0 (0.00%)).

*On the record date for the Annual Meeting, the holders of 37,512,699 Class A Shares, 592 Class C Shares, and 10 Class Y Shares were outstanding and entitled to vote representing a total net asset value of \$396,515,589.49. The holders of shares entitled to vote representing a total net asset value of \$237,460,632.63 (59.89%) were present in person or by proxy at the meeting.