Minnesota Association of Governments Investing for Counties

Cash management solutions exclusively for Minnesota counties

ANNUAL REPORT

June 30, 2009

The **MAGIC Fund** is Sponsored by the:
Minnesota State Association of County Treasurers
Association of Minnesota Counties

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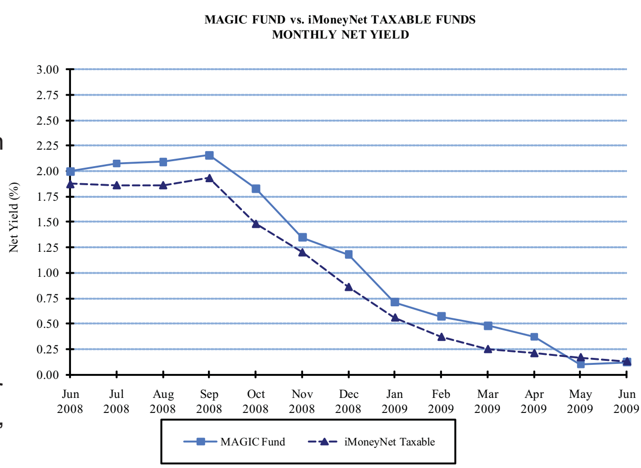
Letter from Investment Adviser

Dear Participants,

The financial crisis that began in the summer of 2007 and intensified through the second half of 2008 has shown signs of easing over the last few months. Government fiscal and monetary stimulus, both domestically and internationally, has been crucial to restoring liquidity and a greater sense of stability to the financial markets. The MAGIC fund's (the "Fund") fiscal year saw several extraordinary events that shook the global financial system. Concerns about the financial stability of Fannie Mae and Freddie Mac resulted in the mortgage lenders being taken over by the U.S. Treasury. Lehman Brothers filed for bankruptcy in September 2008, causing enormous disruptions to the system that are only now being resolved. The Lehman Brothers' bankruptcy caused the Reserve Primary Fund to become the first money market fund to "break the buck" in 14 years and sparked a run on money fund assets that was stemmed only after the federal government guaranteed deposits in money market funds. As a result of the fallout from the money-fund crisis, the SEC and industry groups have started discussions on creating more stringent guidelines for money market funds. The Federal Open Market Committee ("FOMC") lowered the federal funds target rate from 2.0% on June 2008 to a 0 - .25% range at their December meeting to help promote the resumption of economic growth. The Federal Reserve also introduced several liquidity programs to aid the functioning of the financial markets. In the statement released from the June 24, 2009 meeting, the FOMC said the committee "continues to anticipate that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period." The statement would seem to indicate that we will remain in a near-zero interest rate environment for the foreseeable future.

Credit spreads on financial issuers remained elevated for much of the year, primarily due to the reluctance of banks to lend funds to each other. Institutional investors also showed their preferences by demanding a premium for investing in the financial sector as opposed to more industrial-type names. The results of the U.S. government's "stress tests" on systemically important institutions and the ability of those institutions to raise new debt and equity capital have helped stabilize the financial sector and tighten credit spreads toward more historically normal levels. Given the extreme nature of the credit environment, our strategy for the Fund was to focus on principal preservation and liquidity while maintaining a cautious and opportunistic approach when investing in longer-dated securities.



The Fund's monthly net yield dropped from 2.0% for June 2008 to .12% for June 2009. The net return for the Fund for the 12 months ended June 30, 2009 was 1.10% vs. .92% for the iMoneyNet, Inc. average of all taxable money market funds. The average monthly shares dropped slightly from $461 million in June 2008 to $451 million in June 2009.

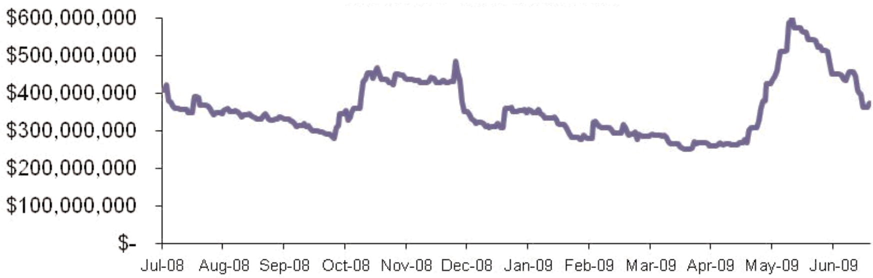
As we continue to provide you with a conservative investment vehicle for your short-term investment needs, our primary consideration remains safety of principal. We add value to the Fund through purchasing high-quality securities, active positioning on the yield curve, and managing the average maturity based on our interest rate forecast and the Fund's liquidity needs.

In closing, we thank you for the opportunity to serve your investment needs and look forward to another successful year.


James D. Palmer
Managing Director and Portfolio Manager

Shaista B. Tajamal
Director and Portfolio Manager

MAGIC Fund Net Assets



Source: PFM Asset Management LLC

Past performance is no guarantee of future results and yields may vary. For the most recent Fund performance, call 1-800-731-7150 or visit www.magicfund.org.

iMoneyNet Taxable Funds yields are provided by iMoneyNet, Inc., an Informa Financial company.

FAF Advisors, Inc., is a registered investment advisor and wholly owned subsidiary of U.S. Bank National Association.

About the Fund

The Minnesota Association of Governments Investing for Counties Fund ("MAGIC" or the "Fund") was established in December 1990 as a common law trust organized under the Minnesota Joint Powers Act. The Fund was established for the purpose of providing Minnesota counties an investment vehicle to pool their investment funds to obtain the highest potential investment yield, while attempting to maintain liquidity and preserve capital. MAGIC offers its Participants a professionally managed portfolio which offers a competitive money market rate. The Fund stresses "safety of principal" as the number one objective. Additional fixed income investment products are available through the Fund's Administrator to assist MAGIC Participants in seeking to maximize results.

Participant Focus

Since it was established, the Fund's single focus has been serving the investment needs of its Participants. The Fund's activities are directed by a Board of Trustees, all of whom are local officials of Minnesota counties. The MAGIC Board of Trustees contracts for services with professional service providers who are industry leaders in their fields. As a result, the Fund is accountable solely to its Participants.

Investment Options

Currently, MAGIC offers Participants not only the Fund, but also fixed-term investments which are not a part of the Fund but are available under a separate agreement with the Fund's Administrator.

MAGIC Fund

The MAGIC Fund is a short-term money market portfolio, which seeks to provide daily liquidity and earn a high level of income, consistent with its objectives of preserving principal. This pooled fund offers participants:

- Safety of principal as its main investment objective
- Liquidity of assets, easy access to invested assets
- No minimum balance requirements
- Unlimited check writing privileges
- No additional charges for wire transfers from the Fund to your local bank
- Competitive money market rates
- Unlimited number of individual accounts for each Participant
- Comprehensive daily and monthly statements to assist in record-keeping requirements
- Lockbox services to receive state payments

Fixed Income Investment Program

The Board of Trustees approved the Administrator making available to Participants a fixed income investment program. This program will allow Participants to individually invest in securities issued by the United States Government or agencies or instrumentalities thereof, certificates of deposit and other fixed income investments permitted by Minnesota law. The Administrator will offer investment advice on a non-discretionary basis and assist Participants in the purchase of these investments for an advisory fee, based upon factors such as the amount and complexity of the transaction. The CDs available through this program are usually issued in denominations up to the maximum amount insured by the FDIC and are not held as a part of the Fund, and, within the limits and to the extent of insurance provided by the FDIC, may be separately insured by the FDIC from any certificates of deposit which may be held by the Fund.

Services

To simplify investing, MAGIC also offers a variety of cash management tools to assist Participants in effectively managing their cash, such as automatic transfers and direct deposits of state aid, which help Participants minimize the effort of transferring funds. MAGIC also provides unlimited sub-accounting, which allows Participants to easily track investments for different funds or entities. As a Participant in MAGIC, you may access your account information 24 hours a day, seven days a week through EON, the Easy Online Network. This on-line service provided by the Administrator offers complete, up-to-date account and investment information, pertinent general information, transaction input up to six months in advance, current and previous monthly statements, current yield information and many more additional services to access your account at no additional charge.

We Value Your Participation

The Board of Trustees is committed to managing the Fund in a manner that meets the investment and associated record-keeping and cash management needs of its Participants. We are interested in your feedback. For additional information, please call the Fund at 1-800-731-7150 or visit us online at **www.magicfund.org**.

Independent Auditors' Report

To the Trustees and Participants
Minnesota Association of Governments Investing for Counties Fund:

We have audited the accompanying statement of assets and liabilities, including the statement of net assets, of Minnesota Association of Governments Investing for Counties Fund (the "Fund") as of June 30, 2009, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period ended June 30, 2009, and the financial highlights for each of the years in the five-year period ended June 30, 2009. These financial statements and the financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and the financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the financial highlights are free of material misstatement. An audit also includes 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 Fund'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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and the financial highlights referred to above present fairly, in all material respects, the financial position of Minnesota Association of Governments Investing for Counties Fund at June 30, 2009, and the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period ended June 30, 2009, and the financial highlights for the periods specified in the first paragraph above, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Minneapolis, Minnesota
October 15, 2009

Statement of Assets and Liabilities

June 30, 2009

Assets	
Investments at value (amortized cost $369,107,326) (see Note B)	$369,107,326
Receivable for Fund shares sold	37,741
Cash	2,212,270
Accrued interest receivable	203,652
Total assets	371,560,989
Liabilities	
Subscriptions received in advance	2,044,979
Administration fees payable	50,681
Investment advisory fees payable	23,686
Marketing fees payable	7,419
Sponsorship fees payable	100,000
Banking fees payable	13,950
Audit fees payable	19,500
Other expenses payable	16,326
Total liabilities	2,276,541
Net assets	$369,284,448
Net asset value per share (applicable to 369,284,448 outstanding shares of beneficial interest, unlimited authorization)	$1.00

Statement of Net Assets

June 30, 2009

		Face Amount	Value
Commercial Paper (47.90%)			
Business Credit Institution (12.56%)			
American Honda Finance Corp.			
0.22%	7/14/09	$ 5,000,000	$ 4,999,603
0.30%	9/16/09	2,000,000	1,998,717
Chevron Funding Corp.			
0.17%	7/2/09	8,000,000	7,999,962
0.15%	7/6/09	1,500,000	1,499,969
Novartis Finance Corp.			
0.05%	7/1/09	10,000,000	10,000,000
Paccar Financial Corp.			
0.21%	7/1/09	5,000,000	5,000,000
0.20%	7/2/09	885,000	884,995
0.20%	7/7/09	1,000,000	999,967
Toyota Motor Credit Corp.			
0.18%	7/1/09	6,000,000	6,000,000
0.26%	8/31/09	1,000,000	999,559
Unilever Capital Corp.			
0.11%	7/9/09	6,000,000	5,999,853
			46,382,625
Consumer/Non-Durable (1.90%)			
Colgate - Palmolive			
0.17%	7/8/09	6,000,000	5,999,802
0.15%	7/23/09	1,000,000	999,908
			6,999,710

The accompanying notes are an integral part of these financial statements.

Food and Beverage Products (1.35%)			
Coca Cola Company			
0.22%	9/3/09	$ 5,000,000	$ 4,998,044
			4,998,044
Health Care Services (2.44%)			
Johnson & Johnson Co.			
0.10%	7/13/09	9,000,000	8,999,700
			8,999,700
Insurance Companies (1.49%)			
Allianz Finance Corp.			
0.28%	7/10/09	1,500,000	1,499,895
0.40%	9/8/09	4,000,000	3,996,933
			5,496,828
Money Center Banks (28.16%)			
Abbey National North			
0.16%	7/6/09	5,500,000	5,499,878
0.25%	8/5/09	1,000,000	999,757
BNP Paribas Finance Inc.			
0.15%	7/2/09	4,000,000	3,999,983
0.26%	7/7/09	5,020,000	5,019,783
0.37%	10/20/09	1,499,000	1,497,290
Calyon North America			
0.40%	7/2/09	5,000,000	4,999,945
0.28%	7/6/09	2,650,000	2,649,898
CBA (DE) Finance			
0.40%	7/6/09	1,000,000	999,944
0.50%	7/17/09	3,000,000	2,999,333
0.20%	7/31/09	2,500,000	2,499,583
0.42%	8/4/09	2,000,000	1,999,207
0.51%	12/21/09	1,000,000	997,573
Danske Corp.			
0.28%	7/29/09	6,000,000	5,998,693
ING (US) Funding LLC			
0.50%	7/13/09	2,770,000	2,769,538
0.40%	9/2/09	3,000,000	2,997,900
0.35%	9/25/09	700,000	699,415
0.34%	10/1/09	1,000,000	999,131
J.P. Morgan Chase & Co.			
0.18%	7/9/09	6,000,000	5,999,760
National Australia Funding DE Inc.			
0.55%	7/1/09	4,190,000	4,190,000
0.40%	8/7/09	2,000,000	1,999,178
Nordea North America Inc.			
0.25%	7/13/09	7,650,000	7,649,362
0.24%	7/29/09	1,200,000	1,199,776
0.25%	8/10/09	2,100,000	2,099,417
Rabobank Financial Corp.			
0.25%	7/1/09	3,000,000	3,000,000
0.61%	7/9/09	3,000,000	2,999,593
0.16%	7/13/09	1,500,000	1,499,920
0.42%	7/15/09	1,000,000	999,837
0.50%	12/8/09	2,500,000	2,494,444
Societe Generale NA			
0.22%	7/1/09	6,000,000	6,000,000
0.20%	7/7/09	1,000,000	999,967

The accompanying notes are an integral part of these financial statements.

Svenska Handelsbanken Inc.			
0.20%	7/13/09	$ 1,900,000	$ 1,899,873
0.49%	8/6/09	1,000,000	999,510
0.41%	8/10/09	1,000,000	999,545
0.51%	12/15/09	2,500,000	2,494,085
UBS Finance Delaware Corp.			
0.25%	7/17/09	1,300,000	1,299,856
0.30%	7/31/09	500,000	499,875
0.40%	8/18/09	1,057,000	1,056,436
Wells Fargo & Co.			
0.20%	7/1/09	6,000,000	6,000,000
			104,007,285
Total Commercial Paper			176,884,192
U.S. Government & Agency Obligations (52.05%)			
Fannie Mae Discount Notes			
1.90%	7/2/09	1,500,000	1,499,921
0.25%	7/13/09	1,700,000	1,699,859
0.09%	7/20/09	17,120,000	17,119,181
0.10%	7/21/09	5,800,000	5,799,678
0.32%	7/22/09	2,029,000	2,028,621
0.18%	8/3/09	1,694,000	1,693,720
0.16%	8/20/09	900,000	899,800
0.56%	9/2/09	2,153,000	2,150,890
0.58%	9/25/09	4,245,000	4,239,118
0.25%	10/1/09	950,000	949,393
3.30%	10/7/09	2,000,000	1,982,578
0.31%	11/4/09	4,000,000	3,995,660
0.38%	1/4/10	2,594,000	2,588,922
0.47%	2/1/10	700,000	698,035
0.44%	2/22/10	1,250,000	1,246,394
0.56%	4/1/10	2,000,000	1,991,476
Fannie Mae Notes			
0.41%	12/10/09	839,000	851,861
0.41%	12/15/09	400,000	407,678
0.71%	5/20/10	400,000	405,870
Fannie Mae Notes (Callable)			
0.59%	4/20/10	1,525,000	1,575,684
Federal Farm Credit Bank Discount Notes			
0.34%	8/28/09	1,000,000	999,452
0.57%	9/15/09	1,725,000	1,722,924
0.55%	11/17/09	5,028,000	5,017,420
0.70%	11/20/09	1,000,000	997,239
0.77%	12/1/09	1,500,000	1,495,091
0.49%	1/5/10	1,706,000	1,701,640
Federal Farm Credit Bank Notes			
0.31%	10/23/09	2,191,000	2,222,874
0.41%	12/17/09	500,000	507,990
1.06%	1/11/10	400,000	408,139
Federal Home Loan Bank Discount Notes			
0.35%	7/6/09	170,000	169,992
0.07%	7/10/09	17,300,000	17,299,691
0.09%	7/15/09	1,550,000	1,549,946
0.10%	7/22/09	8,000,000	7,999,533

The accompanying notes are an integral part of these financial statements.

Federal Home Loan Bank Discount Notes (continued)			
0.11%	7/28/09	$ 5,000,000	$ 4,999,588
0.11%	7/29/09	3,000,000	2,999,743
0.14%	8/5/09	7,015,000	7,014,045
0.15%	8/11/09	4,000,000	3,999,317
0.22%	9/1/09	1,340,000	1,339,492
0.30%	11/25/09	1,500,000	1,498,163
0.30%	11/27/09	1,000,000	998,758
0.30%	12/8/09	1,270,000	1,268,307
0.42%	1/5/10	1,000,000	997,807
0.40%	1/7/10	560,000	558,818
0.41%	1/26/10	2,400,000	2,394,287
0.47%	2/1/10	3,250,000	3,240,877
1.01%	2/2/10	2,000,000	1,988,000
0.50%	4/1/10	1,170,000	1,165,548
0.63%	4/22/10	1,000,000	994,838
Federal Home Loan Bank Notes			
0.25%*	8/21/09	2,000,000	1,999,474
0.51%	11/13/09	500,000	506,839
0.41%	12/11/09	1,000,000	1,019,282
0.41%	12/11/09	500,000	510,197
1.00%	1/26/10	2,000,000	1,998,511
0.79%*	2/19/10	2,000,000	2,001,483
0.69%	4/30/10	2,000,000	2,000,200
0.64%	6/11/10	1,105,000	1,152,832
0.64%	6/11/10	500,000	516,949
0.66%	6/11/10	1,090,000	1,113,950
0.75%	6/25/10	1,500,000	1,500,000
Federal Home Loan Bank Notes (Callable)			
0.70%	6/25/10	2,000,000	2,000,000
Freddie Mac Discount Notes			
0.76%	7/6/09	6,291,000	6,290,339
0.35%	7/15/09	100,000	99,986
0.09%	7/20/09	2,090,000	2,089,901
0.16%	8/3/09	300,000	299,956
0.15%	8/10/09	5,000,000	4,999,167
0.57%	9/14/09	5,000,000	4,994,041
0.36%	12/23/09	3,000,000	2,994,750
Freddie Mac Notes			
0.29%*	9/18/09	2,000,000	1,999,476
0.80%	2/9/10	2,000,000	2,049,267
0.60%	3/1/10	2,000,000	2,050,091
Freddie Mac Notes (Callable)			
0.98%	2/4/10	2,000,000	2,000,000
U.S. Treasury Bill			
0.08%	7/9/09	7,000,000	6,999,876
0.14%	7/30/09	4,668,000	4,667,476
0.33%	12/24/09	3,000,000	2,995,233
Total U.S. Government & Agency Obligations			192,223,134
Total Investments (99.95%)			369,107,326
Other Assets in Excess of Other Liabilities (0.05%)			177,122
Net Assets (100.00%)			$ 369,284,448

** Floating rate note, rate shown is that which was in effect at June 30, 2009.*

The accompanying notes are an integral part of these financial statements.

Statement of Operations

	Year Ended June 30, 2009
Investment Income	
Interest income	$ 4,904,373
Securities lending income	88,467
Total investment income	4,992,840
Expenses	
Administration fees	506,629
Advisory fees	242,345
Banking fees	410,473
Marketing fees	71,938
Audit fees	19,500
Total expenses	1,250,885
Less: expenses paid indirectly	(119,387)
Total net expenses	1,131,498
Net Investment Income	3,861,342
Net Realized Gain on Sale of Investments	3,656
Net Increase in Net Assets Resulting from Operations	$ 3,864,998

Statements of Changes in Net Assets

	Year Ended June 30, 2009	Year Ended June 30, 2008
INCREASE IN NET ASSETS		
Operations		
Net investment income	$ 3,861,342	$ 10,600,946
Net realized gain on sale of investments	3,656	171
Net increase in net assets resulting from operations	3,864,998	10,601,117
Distributions		
Net investment income	(3,861,342)	(10,600,946)
Net realized gain on sale of investments	(3,656)	(171)
Total distributions	(3,864,998)	(10,601,117)
Capital share transactions (at $1.00 per share)		
Issued	3,357,036,157	3,466,373,237
Redeemed	(3,347,328,787)	(3,379,645,928)
Distributions reinvested	3,864,998	10,601,117
Net increase from capital share transactions	13,572,368	97,328,426
Total increase in net assets	13,572,368	97,328,426
Net Assets		
Beginning of year	355,712,080	258,383,654
End of year	$ 369,284,448	$ 355,712,080

The accompanying notes are an integral part of these financial statements.

Financial Highlights

For a share outstanding throughout each period

	Year Ended June 30,				
	2009	2008	2007	2006	2005
Net asset value, beginning of year	$1.000	$ 1.000	$ 1.000	$ 1.000	$ 1.000
Operations					
Net investment income	0.11	.037	.050	.038	.018
Total from operations	0.11	.037	.050	.038	.018
Distributions					
Net investment income	(0.11)	(.037)	(.050)	(.038)	(.018)
Total distributions	(0.11)	(.037)	(.050)	(.038)	(.018)
Net asset value, end of year	$1.000	$ 1.000	$ 1.000	$ 1.000	$ 1.000
Ratios/Supplemental Data					
Net assets, end of year (000)	$369,284	$355,712	$258,384	$232,567	$161,185
Total return	1.10%	3.81%	5.09%	3.91%	1.82%
Ratio of expenses to average net assets, before expenses paid indirectly	0.35%	0.39%	0.38%	0.40%	0.39%
Ratio of expenses to average net assets, after expenses paid indirectly	0.32%	0.38%	0.36%	0.39%	0.38%
Ratio of net investment income to average net assets	1.07%	3.55%	4.97%	3.89%	1.78%

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

A. Organization

The Minnesota Association of Governments Investing for Counties Fund (the "Fund") was established in December 1990 as a common law trust organized under Section 471.59 of the Minnesota Statutes (the "Joint Powers Act"). Shares of the Fund are offered exclusively to certain Minnesota counties or instrumentalities of such counties. Since this Joint Powers Act entity is made up solely of tax-exempt participants exercising only those powers which are common to the contracting parties, the Fund is exempt from federal and Minnesota income tax. The purpose of the Fund is to enable such counties to pool their available funds for investment. The investment policy and objective is to make investments in instruments as authorized by Section 118A.04, 118A.05 and 118A.06 of the Minnesota Statutes.

B. Summary of Significant Accounting Policies

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

Security Valuation and Transactions

Securities are valued at amortized cost, which approximates fair value, in order to maintain a constant net asset value of $1 per share. Security transactions are accounted for on the date securities are purchased or sold. Realized gains and losses, if any, are determined on the basis of identified cost. Investment income, including amortization of premium and discount, is accrued daily.

The Fund has adopted FASB Statement No. 157, "Fair Value Measurements" ("Statement 157"). Statement 157 establishes a framework for measuring fair value in U.S. generally accepted accounting principles ("GAAP"), clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements to increase consistency and comparability among fair value estimates used in financial reporting. Statement 157 defines fair value as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability.

Statement 157 establishes a three-tier hierarchy of levels for fair value measurements based upon the transparency of inputs to the valuation, as follows:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Inputs other than quoted prices that are observable for the asset, including quoted prices for similar investments based on interest rates, credit risk and like factors.

Level 3 – Unobservable inputs for the assets, including the Fund's own assumption for determining fair value.

Securities are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Money market securities are valued using amortized cost. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held by the Fund are categorized as Level 2 under the Statement 157 hierarchy.

Income Tax Status

The Fund is not subject to federal, state, or local income taxes.

Distributions to Participants

Dividends declared and accrued daily from net investment income and net realized gains or losses, if any, are reinvested in additional shares of the Fund at the end of each month.

Repurchase Agreements

The Fund may invest in repurchase agreements secured by U.S. government or agency obligations. Securities pledged as collateral for repurchase agreements are held by the Fund's custodian bank until maturity of the repurchase agreement. Procedures for the agreements ensure that the daily market value of the collateral is in excess of the repurchase agreement in the event of default.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the results of operations during the reporting period. Actual results could differ from those estimates.

C. Expenses

Banking Fee

Pursuant to a custodian agreement with the Fund, U.S. Bank ("Custodian") provides custody and cash management services to the Fund. The agreement requires the Fund to pay an annual custodian charge based upon a flat fee plus a fee based upon average net assets. In addition, the Custodian is paid a transaction charge for each trade, a fee for its cash management services and a fee for account overdrafts. During the year ended June 30, 2009, the Custodian's fees were reduced by $119,387 as a result of earnings credits from cash balances.

Administration Fee

Pursuant to an administration agreement with the Fund, PFM Asset Management LLC ("PFM") provides administrative and clerical functions necessary to maintain the books and records of the Fund. This includes accounting services, communications to participants regarding their accounts and other operational responsibilities. The agreement requires the Fund to pay PFM a monthly fee at an annual rate equal to 0.15% on the first $250,000,000 of the Fund's average daily net assets and 0.12% on assets in excess of $250,000,000.

Investment Advisory Fee

Pursuant to an investment advisory agreement with the Fund, FAF Advisors, Inc. ("FAF") provides investment management to the Fund. The agreement requires the Fund to pay FAF a monthly fee at an annual rate equal to 0.075% on the first $250,000,000 of the Fund's average daily net assets and 0.05% on assets in excess of $250,000,000.

Sponsorship Fee

Pursuant to resolutions adopted by the Board of Trustees effective July 1, 2002, a sponsorship fee is accrued at an annual rate equal to 0.01% of the Fund's average daily net assets until the amount of $100,000 is accrued and outstanding. When the balance drops to $75,000, the accrual shall begin again. The amounts so accrued are distributed by the Trustees by resolution for legal defense, training, and other uses approved by the Trustees. From time to time the Trustees may suspend the accrual.

Marketing Fee

Pursuant to a marketing agreement with the Fund, PFM's wholly-owned broker/dealer subsidiary, PFM Fund Distributors, Inc. ("PFM Fund Distributors") provides training to marketing representatives, develops advertisements and provides other general marketing services to the Fund. The agreement requires the Fund to pay PFM Fund Distributors a monthly fee at an annual rate equal to 0.02% of the Fund's average daily net assets.

Other

The Fund is also responsible for paying certain other operating expenses such as legal and audit fees, costs of promotional material, interest and taxes, if any, Trustee expenses, and other miscellaneous expenses. The Fund has entered into agreements with several of its service providers which provide for indemnification against losses, costs, claims and liabilities arising from the performance of their obligations under such agreements, except for gross negligence or bad faith. The Fund has had no claims or payments pursuant to these or prior agreements, and the Fund's management believes the likelihood of a claim being made is remote.

D. Lending of Portfolio Securities

In April 2003, the Fund began participating in the securities lending program of the Custodian. When securities are on loan, the Custodian receives cash collateral which is primarily invested in high quality, short-term investment instruments. As of June 30, 2009, no securities were on loan to brokers from the Fund and there was no cash collateral with the Custodian. Fee income from securities lending amounted to $88,467 for the year ended June 30, 2009.

E. Governmental Accounting Standards (Unaudited)

Under Governmental Accounting Standards ("GAS"), state and local governments and other municipal entities are required to disclose credit risk, concentration of credit risk, and interest rate risk for investment portfolios. Although the Fund is not subject to GAS, the following risk disclosures of its investment portfolio as of June 30, 2009 have been provided for the information of the Fund's shareholders.

Credit Risk

The Fund's investment policy, as outlined in its Information Statement, limits the Fund's investments to certain fixed income instruments which counties are permitted to invest in under Minnesota law.

As of June 30, 2009, the Fund's investment portfolio was comprised of investments which were, in aggregate, rated by Standard and Poor's ("S&P") as follows:

S&P Rating	Percentage of Portfolio
AAA	8.34%
A-1+	76.89%
A-1	10.80%
Not Rated	3.97%*

**Represents U.S.Treasury bills.*

Concentration of Credit Risk

The Fund's investment policy establishes certain restrictions on investments and limitations on portfolio composition. At June 30, 2009, the Fund's investment portfolio included the issuers in the chart that follows which individually represented greater than 5% of the Fund's total investment portfolio:

Issuer	Percent of Portfolio
Federal Home Loan Bank	21.35%
Fannie Mae	14.58%
Freddie Mac	8.09%

Interest Rate Risk

The Fund's investment policy limits its exposure to market value fluctuations due to changes in interest rates by requiring that (1) the Fund maintain a dollar-weighted average maturity of not greater than ninety days; (2) requiring that any investment securities purchased by the Fund have remaining maturities of 397 days or less; and (3) further limiting the remaining maturity of any commercial paper purchased by the Fund to 270 days or less. The weighted average maturity of the Fund's entire portfolio at June 30, 2009 was 58 days. The fair value and weighted average maturity of the types of investments in which the Fund was invested at June 30, 2009 are as follows:

Type of Investments	Fair Value	Weighted Average Maturity
U.S. Government Agency Bonds	$ 30,798,647	206 Days
U.S. Government Agency Discount Notes	146,761,902	71 Days
Commercial Paper	176,884,192	22 Days
U.S. Treasuries	14,662,585	50 Days
Total	$ 369,107,326	

The weighted-average maturities shown above are calculated based on the stated maturity dates with the following exceptions: (1) floating or variable rate securities are assumed to have an effective maturity of the date upon with the security's interest rate next resets; and (2) the effective maturity of callable securities is assumed to be its stated maturity unless the security had been called as of the reporting date, in which case the effective maturity would be assumed to be its called date.

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MAGIC Fund

Minnesota Association of Governments Investing for Counties

Sponsoring Organizations

Minnesota Association of County Auditors and Treasurers
Ryan Tangen*, Auditor/Treasurer of Becker County and MACATFO Representative

Association of Minnesota Counties
Jim Mulder*, Executive Director

Service Providers

Administrator
PFM Asset Management LLC
45 South Seventh Street, Suite 2800
Minneapolis, Minnesota 55402

One Keystone Plaza, Suite 300
Harrisburg, Pennsylvania 17101-2044

Airport Corporate Center
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Bohemia, New York 11716

Investment Adviser
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Minneapolis, Minnesota 55402

Distributor
PFM Fund Distributors, Inc.
One Keystone Plaza, Suite 300
North Front & Market Streets
Harrisburg, Pennsylvania 17101-2044

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Trustees and Officers

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