Management's Discussion and Analysis
(MD&A)

FINANCIAL HIGHLIGHTS

Management believes the financial position of the Authority remains stable. According to its bond covenants, the Authority is required to generate revenues that are at least equal to 110% of its annual debt service, after deducting operating expenses. This is referred to as cover. For fiscal year (FY) 2012 (July 2011 – June 2012), the Authority generated a 164% cover as its annual debt service dropped by over $1.0 million. Key financial highlights for the Authority's FY2012 include:

- Service charges and connection fees remained at roughly the same level as FY2011. Other operating revenues decreased by nearly $235,000 when compared to FY2011, largely due to a significant reduction in the prices and value of the Solar Renewable Energy Credits (SRECs) being produced at the Authority's Ramblewood Parkway Solar Facility. Total operating revenues were generally flat when compared with FY2011, dropping by a mere ½ of 1% to $19.172 million.
- Consumer accounts receivable of $3.78 million exceeded FY2011 consumer accounts receivable of $3.67 million.

FINANCIAL HIGHLIGHTS (CONT'D)

- Investment income declined to $204,000, down from $224,500 in FY2011.
- Interest on debt dropped significantly, from $986,100 in FY2011 to $855,800.
- Total debt service, included principal and interest, increased slightly from $4.84 million in FY2011 to $4.99 million in FY2012.
- Total liabilities decreased from $40.20 million in FY2011 to $35.76 million in FY2012.
- At year-end, total assets were $141.05 million, which exceeded liabilities of $35.76 million. The resultant net assets at year-end were $105.29 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information.

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net assets include all of the Authority's assets and liabilities. As the Authority follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the statements of revenues, expenses and changes in net assets regardless of when cash is received or paid. Net assets - the difference between the Authority's assets and liabilities - are a measure of the Authority's financial health or position.

The comparative statements of revenues, expenses and changes in net assets provide a breakdown of the various areas of revenues and expenses encountered during the current year.

The comparative statements of cash flows provide a breakdown of the various sources of cash flow, categorized into four areas: Cash flows from operating activities, noncapital financing activities, capital and related financing activities and investing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The Authority's total assets were $141,048,115.45 on June 30, 2012. Total assets, total liabilities and total net assets are detailed below.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONT'D)

Net Assets
As of June 30,

	2012	2011	2010
Current Assets	$ 25,167,841.44	$ 26,708,665.15	$ 27,286,917.41
Capital Assets	115,395,090.30	116,761,281.53	119,519,897.11
Other Assets	485,183.71	551,006.50	616,829.27
Total Assets	**141,048,115.45**	**144,020,953.18**	**147,423,643.79**
Current Liabilities	7,471,671.47	8,431,447.75	8,948,040.83
Long-Term Liabilities	28,290,093.68	31,772,753.54	35,854,675.20
Total Liabilities	**35,761,765.15**	**40,204,201.29**	**44,802,716.03**
Net Assets			
Invested in capital assets, net of related debt	84,900,778.51	82,444,031.23	81,962,801.33
Restricted	7,380,560.76	7,468,436.59	5,455,436.99
Unrestricted	13,005,011.03	13,904,284.07	15,202,689.44
Total Net Assets	**$ 105,286,350.30**	**$ 103,816,751.89**	**$ 102,620,927.76**

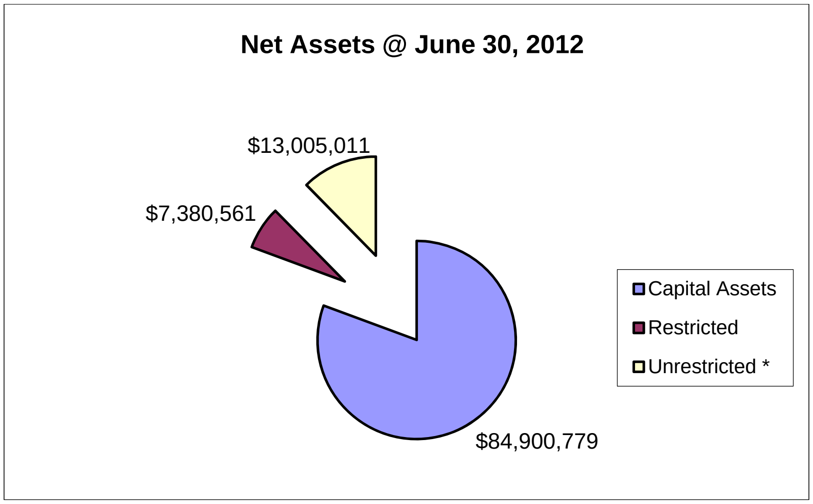
The Authority realized operating income of $1,690,585.20 for the current year. When combined with a loss from non-operating activities, the Authority's income before capital contributions was $273,775.56. During fiscal year 2012, the Authority received capital contributions in the amount of $1,195,822.85. The combined effect resulted in the Authority's net assets increasing by $1,469,598.41. Major components of this activity follow.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONT'D)

Revenues, Expenses and Net Assets
As of June 30,

	2012	2011	2010
Operating Revenues			
Service Charges	$ 18,503,996.59	$ 18,386,217.74	$ 16,608,910.73
Connection fees	299,482.60	286,187.56	508,826.25
Other Operating Revenues	368,478.07	603,364.42	279,609.04
	19,171,957.26	**19,275,769.72**	**17,397,346.02**
Operating Expenses	12,217,527.64	11,957,631.77	11,969,815.52
Depreciation expense	5,263,844.42	5,465,177.33	5,101,214.79
Operating Income	**1,690,585.20**	**1,852,960.62**	**326,315.71**
Non-operating Revenues (Expenses)			
Investment Income	204,068.87	224,535.64	604,569.52
Interest on debt	(855,766.54)	(986,149.91)	(1,067,044.08)
Amortization of bond issue costs	(65,822.79)	(65,822.77)	(69,245.74)
Loss on disposal of capital assets	(1,135.81)	(4,184.05)	-
Cancellation of prior year receivable	(112,153.37)	-	-
Contribution to Mount Laurel Township	(586,000.00)	(400,000.00)	(400,000.00)
Income (Loss) before contributions	**273,775.56**	**621,339.53**	**(605,404.59)**
Capital contributions	1,195,822.85	574,484.60	3,704,430.41
Increase in Net Assets	**1,469,598.41**	**1,195,824.13**	**3,099,025.82**
Net Assets - July 1 (Previously reported)	-	-	99,217,867.81
Prior period adjustment	-	-	304,034.13
Net Assets - July 1 (Restated)	103,816,751.89	102,620,927.76	99,521,901.94
Change in Net Assets	1,469,598.41	1,195,824.13	3,099,025.82
Net Assets - June 30	**$ 105,286,350.30**	**$ 103,816,751.89**	**$ 102,620,927.76**

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONT'D)



* In calendar year 2003, the Authority began planning the annual use of a portion of its unrestricted net assets in the form of a rate stabilization fund. As a result, subsequent rate increases to the Authority's customers have been lower than they otherwise would have been. Unrestricted Net Assets are also used as the funding source for that portion of the Authority's capital program not funded by debt issuance.

Service charges remained relatively flat when compared to the previous year. The lack of significant change was essentially the result of two contradicting factors. First, water demand from the Authority's service area amounted to 1.495 billion gallons, a decrease of 117 million gallons compared to FY2011 system demands. Helping to offset the loss of revenue as a result of the reduction in water delivered to service was a rate increase that went into effect with the February 2012 monthly billings. The overall mix of the Authority's billing base remains well diversified with residential users comprising the vast majority of its customers. There remains a stable and growing segment of the billing base made up of residential, commercial, public and industrial customers. The rate structure is stable and includes rate increases to be implemented with each year's February billings through 2013.

Connection fee revenue amounted to nearly $299,500, a slight increase from fiscal year 2011 revenues of $286,200. This component of revenue is an indicator of the overall economy, as property developers typically slow down or accelerate their activities based on how the economy is trending in general. Developers pay connection fees upon submittal of plans to construct and connect residential developments, commercial properties, retail shops, etc. into the Authority's water and / or sewer systems. The Authority treats these payments as liabilities until tie in is completed. When this occurs, the Authority releases a notice to Mount Laurel township that a certificate of occupancy can be issued. At this point, the Authority establishes a new billing account, reduces the liability and recognizes connection fee income. Although a resurgent economy will improve this portion of the Authority's revenue stream, the township of Mount Laurel is approaching build out within the next several years. To that end, the Authority has had a long term fiscal model in place for many years that plans for annually reducing dependency on connection fee revenues. This has served the Authority well.

Interest income declined by approximately $20,000 compared to fiscal year 2011. Interest rates remained low throughout the year. Tumbling interest rates impacted all funds and investments, generating lower earnings for money market funds and cash balances in the Authority's bank accounts. The Authority continued its investment philosophy of buying high quality, low risk instruments such as Ginnie Maes and U.S. Treasury instruments.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONT'D)

The Authority's fiscal activity yielded positive results for the year, remaining very similar to FY2011 activity. The three sources of operating revenue generated an aggregate of $19.17 million, just 0.5% less than the FY2011 aggregate of $19.27 million. The only one of these three revenue sources to show a reduction when compared to the previous year was "Other Operating Revenues", which includes SREC revenues. Due to an oversaturation of SRECs in the energy market, along with a lack of legislation to stabilize prices, SREC revenues plummeted throughout FY2012. To illustrate, SRECs were fetching $655 each when auctioned off by the Authority in the first half of FY2011. By the end of FY2012, SRECs were trading near $100 each. This drastic fall off in SREC pricing resulted in FY2012 revenues of $123,600, compared with FY2011 revenues of $326,000. Regarding expenses, the Authority continued its aggressive pursuit of reducing / containing costs. Total operating expenses, net of depreciation, remained virtually the same as those recorded in FY2011. Since FY2008 (July 2007 – June 2008), the Authority has reduced operating expenses by $1.3 million. The more significant changes in revenues and expenses are described in more detail below.

Mount Laurel continues to be a desirable location for residential and commercial development. The make up of the ratepayer base is well diversified. The residential and public sectors, the most stable when considering the volatility of a billing base, comprise approximately 95% of the Authority's customers. There are 26 hotels within the township, providing the third highest number of rooms in the state, behind Atlantic City and Newark. There is no particular emphasis or imbalance in the type of business enterprises within the commercial sector. Industrial users comprise a miniscule portion of the Authority's billing base.

As the original budget for fiscal year 2012 was formulated prior to April 2011, certain actual events during the year necessitated amending the budget. The Authority approved this budget amendment in June 2012. Following is a narrative addressing the more significant amendments, and how those amendments compare to actual operating results for the current year.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONT'D)

Service charges, including fire services, were originally budgeted at $17.75 million but were amended to $17.16 million. The primary reason for this was a 117 million gallon (mg) decrease in the amount of water delivered to service during FY2012, compared to FY2011. Mostly all of this decrease (108 mg) occurred in the July through September quarter. During this period in 2010 (FY2011), 580 mg were delivered to our customers, compared to the same period in 2011 (FY2012), when 472mg were delivered. Actual service charge revenue for the year amounted to $18.50 million, as hot weather in Spring and early Summer 2012 created more demand for water than expected.

Connection fee revenue was amended from $162,800 to $270,900. In October, 2011, Hilton Garden Inn tied into the Authority's sewer system which resulted in the main reason for the increased budget. When the budget was formulated in early 2011, the Authority anticipated this tie in would occur after FY2012. Actual connection fee revenue was $299,500.

SREC revenue was amended from $424,400 to $203,000. By the end of FY2012, an abundance of SRECs in the marketplace had driven prices to below $100 per SREC. Lack of legislation serving to stabilize the market price had a negative impact as well. In late FY2012, the Authority hedged against further price drops in the near term by committing the balance of our Energy Year 2012 SRECS to a brokered sale. In anticipation of favorable legislation, we reserved ½ of our Energy Year 2013 SRECs for selling in a better price climate, and sold the other ½ in the brokered sale. Actual SREC revenue was $123,600.

OPERATING EXPENSES

The Authority's operating expenses for fiscal year 2012 (net of depreciation) exceeded those of FY2011 by nearly $260,000. However, this includes a $202,500 prior year expense recorded in FY2012. Adjusting for this item results in FY2012 operating expenses (net of depreciation) actually being $145,000 less than FY2011. For the five years of FY2008 through FY2012, the Authority's numerous cost containment efforts have resulted in an aggregate reduction of $1.3 million in expenses. Discussion follows on select line items during FY2012.

Salaries and Wages expense increased $22,000 in FY2012. This equates to a 0.6% increase over the prior year. Union and non-union employees received no wage increases in FY2011 or FY2012. A new Collective Bargaining Agreement (CBA) was finalized during FY2012. This CBA is for a six year term, effective January 1, 2011 through December 31, 2016 and replaces the five year CBA which expired December 31, 2010. The new CBA calls for no retroactive pay and new wage and other compensation issues to commence July 1, 2012 (FY2013). In addition, the Authority continued strict adherence to a policy of no overtime work except in cases of extreme need or emergency. The current year's total expense for all salaries and wages totaled $3.696 million, compared with last year's $3.674 million. The budget for this expense was originally set at $3.658 million but was amended to $3.698 million, primarily due to a delay in the anticipated retirement of the Authority's Electrical Department Supervisor. When the original budget was formulated, this employee was expected to retire after working four months of the fiscal year. However, the retirement was pushed back for one year, resulting in another eight months of salary expense in FY2012.

OPERATING EXPENSES (CONT'D)

Fringe Benefits exceeded the prior year by $25,500; a 1.4% increase. Three major fringe benefit line items, the Public Employee's Retirement System (PERS), Group Medical and Dental Insurance and Worker's Compensation Insurance account for the majority of this increase. The Authority's PERS contribution (determined by the state of New Jersey) increased over the prior year by $17,800. Group medical insurance was provided through the New Jersey State Health Benefits Plan (SHBP); dental insurance by Aetna for the first part of the fiscal year and Dearborn National for the rest of the fiscal year. Combined group insurance costs increased only $28,200 compared to the prior year, while Worker's Compensation costs dropped by nearly the same amount, at $27,600. Other minor increases in FICA taxes, disability and Life / Accidental Death and Dismemberment insurances account for the difference.

Electricity costs decreased in the current year, falling nearly $88,000 from $1.17 million in FY2011 to $1.08 million in FY2012. The Authority has installed sophisticated process control computers to regulate energy consumption at its plant facilities, variable frequency drives and more efficient pumps, and exercises dozens of emergency generators on a regular basis. A well run preventive maintenance schedule keeps generators in excellent, efficient condition. Load banking equipment, which identifies problems early, is also used. When scheduled and where possible, replacement vehicles are being purchased with an emphasis on fuel economy.

Meanwhile, the Authority continues to strive for energy efficiency while searching for ways to decrease its energy costs. The Authority has been working with Rowan University's Electrical Engineering Department to specifically study lighting at our larger facilities. This work began at the Elbo Lane water treatment plant. Staff and students performed an energy audit of the site, reviewing plans and the facility and putting monitoring equipment in place to determine if the Authority was utilizing the most cost effective lighting approach to meet our operational needs. Their first phase was to analyze the use of interior lighting at the facility, which utilizes fluorescent tubes. The findings of this portion of the study determined that the Authority uses long life fluorescent tubes and only uses the lighting when occupying the areas, making the change to a lower use fixture or bulb not cost effective. Staff and students are currently considering the outdoor lighting at the facility. The Authority is pleased to be working with the college and recognizes the mutual benefits in providing the students an opportunity to apply classroom learning to a real life project while being the recipient of a detailed energy audit at no

OPERATING EXPENSES (CONT'D)

cost. As the audit moves on to other sites, the Authority looks forward to recommendations from Rowan for additional energy efficiencies or confirmation that we are already efficient energy consumers.

In May 2010, the Authority entered into a two year, third party supply contract for its electricity needs. This contract reduced electric costs by approximately $140,000 per year. A new third party supply contract began with the June 2012 electric meter readings. Although this did not allow for any significant savings by the end of June and the fiscal year, the Authority expects to save an additional $120,000 annually, based on 8.5 million kWh of electric usage. Considering the savings created by these two contracts, and all other factors being equal, the Authority expects to be spending $250,000 less for electricity in FY2013 than it did in FY2010.

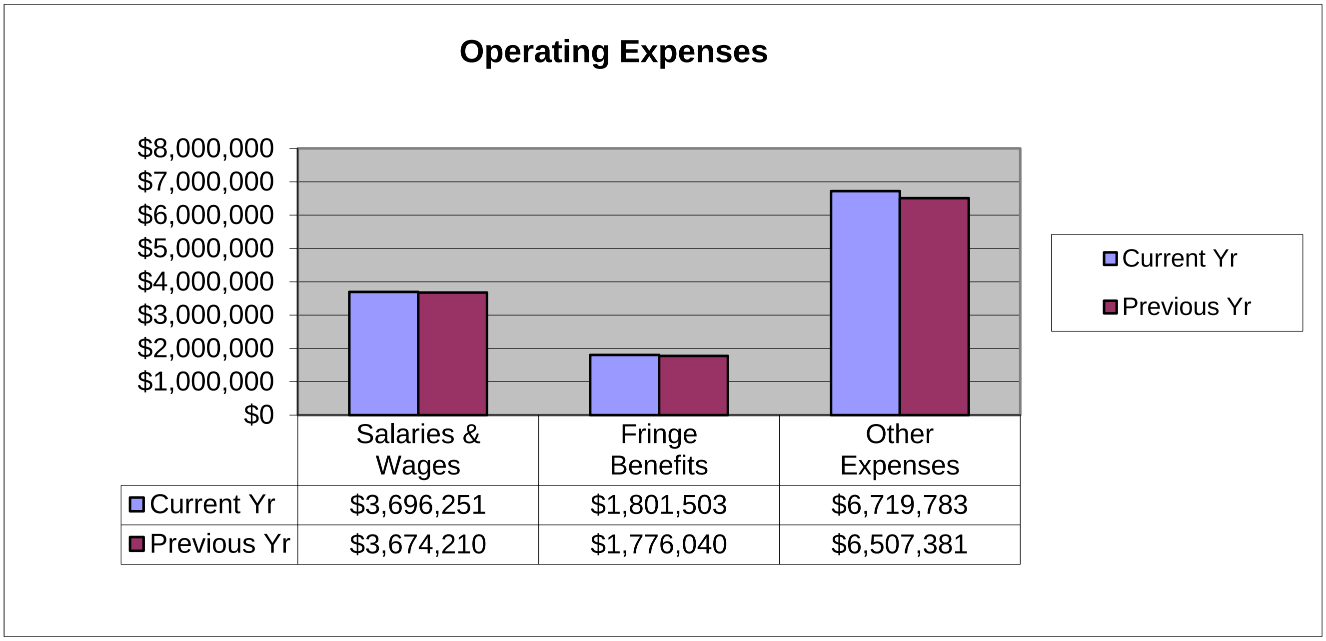
The purchase of water from outside purveyors decreased by $40,000 in FY2012. The New Jersey Department of Environmental Protection has restricted the Authority to a withdrawal of water from the Potomac-Raritan-Magothy Aquifer equal to the demand of the township in 1980. However, because the Authority serves a township that has experienced explosive growth over the decades, it is forced to purchase more and more of its water from other water purveyors. During the current fiscal year, approximately 55% (about 818 million gallons) of Mount Laurel's water demand was purchased from these purveyors. In FY2011, these purveyors provided 62% (about 995 million gallons) of Mount Laurel's water supply. Besides lower system demand for water in FY2012 (as previously noted, 117 million less gallons were delivered to service), the Authority's capital project at Well #3 added Variable Frequency Drives (VFD) and associated Supervisory Control And Data Acquisition (SCADA) system controls. VFD and SCADA allowed the Authority to run pumps at the well's permitted capacity, thereby allowing the production of more water during peak summer periods and reducing the need to purchase water from other purveyors. Finally, the Authority amended its water supply strategy in Spring, 2012 by including earlier than normal use of stored water. These factors led to a decrease of $537,000 in this budget line item, to $2.485 million. Actual expenses were $2.38 million. The Authority continues to seek alternative, less expensive ways to provide water to its service area.

Chemical expense overall increased significantly when compared to the prior year. Total actual costs were $590,400 compared to $486,200; an increase of $104,200. This was almost entirely due to an increase in the purchase of odor control chemicals, whose year over year increase was $103,200. The build up of hydrogen sulfide gas in sewer pipes occurs more quickly at warmer temperatures. Because winter 2012 was unusually mild and spring 2012 was much warmer than normal, hydrogen sulfide levels increased dramatically. This resulted in the use of much more odor control chemical than was anticipated. The Authority has been actively seeking ways to reduce its cost for this type of chemical without negatively impacting its infrastructure. While continuing the use of hydrogen peroxide, the Authority's operational staff works to fine tune feed rates of bioxide (a less expensive chemical) and thereby reduce the overall purchase of hydrogen peroxide. We will continue to monitor the use of these chemicals, as caution must be taken to prevent altering the characteristics of sewage to such an extent as to have a negative impact on the treatment process.

Interest expense in FY2012 dropped by $130,000. As outstanding principal balances get paid down and bond issues approach expiration, a greater portion of debt service payments are toward principal balances. Inversely, interest expense becomes less. Considering this generally, and in conjunction with the expiration of a 20 year 1992 bond issue (subsequently refunded in 2003) explains the reduction in interest expense when compared to FY2011.

The Authority contributed $586,000 to Mount Laurel Township in FY2012. This amount was determined in accordance with N.J.S.A. 40A:5A-12.1.

OPERATING EXPENSES (CONT'D)



	Salaries & Wages	Fringe Benefits	Other Expenses
Current Yr	$3,696,251	$1,801,503	$6,719,783
Previous Yr	$3,674,210	$1,776,040	$6,507,381

ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY

The United States Environmental Protection Agency (EPA) has estimated that New Jersey water systems require an investment of nearly $8 billion dollars within the next 15 years in order to continue providing safe water to the public. In addition, a 2008 survey of members of the American Society of Civil Engineers (ASCE) estimated that New Jersey wastewater infrastructure needs $9.15 billion dollars of improvements.

Because the Authority has invested more than $200 million in its infrastructure, and keeping these staggering amounts estimated by the EPA and ASCE in mind, we have begun the process of investigating the development and implemention of an Asset Management Program (AMP). EPA offers this definition: "Asset Management is maintaining a desired level of service for what you want your assets to provide at the lowest life cycle cost." Some key features of an AMP include identifying the assets critical to providing a desired level of service, estimating their life cycle and costs to maintain, replace or rehabilitate them, assessing the likelihood and consequence of their failure and considering redundant systems that are (or must be put) in place in the event an asset does fail. The New Jersey Department of Environmental Protection (DEP), Department of Community Affairs, Board of Public Utilities and Environmental Infrastructure Trust have recently worked cooperatively to announce a pilot project for asset management planning that is intended to develop and document several examples of successful efforts by water supply and wastewater utilities. The results will help these entities develop a broader program fostering asset management statewide. This program will address issues of objectives, best practices (including technological, management and budgeting issues) and statutory / regulatory needs. Through a process of outreach to the New Jersey Water Environment Association and the New Jersey Chapter of the American Water Works Association, DEP staff has identified five potential pilot utilities and systems in New Jersey. The Authority is honored to have been selected as one of these five utilities and is anxious to begin work on this very important project.

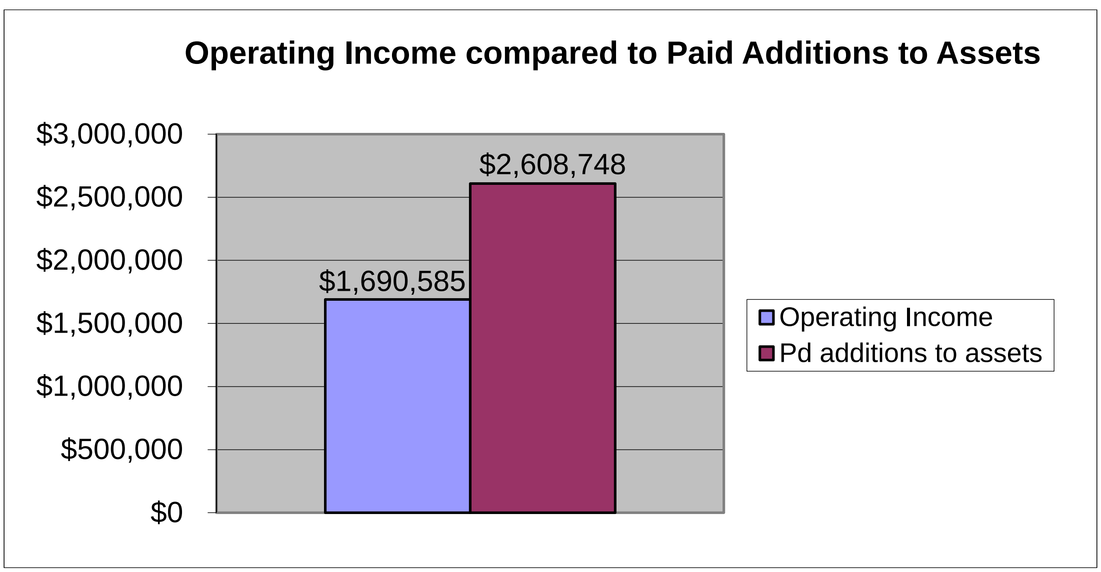
ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)

During FY2012, the Authority disbursed $2.68 million for capital assets. By including retainage and other pre / post year adjustments, the more significant capital additions were as follows:

Asset	Amount disbursed
Hydrant Replacement Program	$ 22,375
Meter Change Out Program	$ 176,728
Water Storage Tank Rehab – Commerce Parkway	$ 208,177
Water System Meter Analysis & Correction	$ 39,083
Water main replacement – Sumac Ct., Ashby Ct., Union Mill Rd/ Malvern Ct.	$ 7,458
Water main replacement – Buckingham Way	$ 190,459
Water main replacement – Indigo Drive	$ 27,465
Water main replacement - Parkers Creek	$ 25,269
Painting of Internal Components of Clarifiers @ Elbo Lane WTP	$ 172,516
Meter Replacement for Willingboro Booster Station	$ 12,403
Building Upgrade Well # 3	$ 628,221
Elbo Lane WTP – Chlorine Contact Chamber Repair	$ 15,166

ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)

Asset	Amount disbursed
HVAC Rehab & Replacement at Elbo Lane WTP	$ 20,404
VFD Replacement on Pump # 4 -Willingboro Booster Station	$ 6,121
Parker Creek Outfall Line Rehab (Sewer)	$ 235,483
VFDs for RAS Pumps 1, 2, & 3	$ 23,295
Orbal Motors Replacement	$ 11,613
Sludge Thickener Tank Cleaning	$ 30,624
Rehab # 2 Primary Sludge Pump at HRWPCF	$ 14,220
Belt Filter Press #3 Rehab at HRWPCF	$ 80,583
Sludge Blower Replacement at HRWPCF	$ 15,207
Swivel Joint Replacement at Sludge Bin Area # 2 Chute	$ 17,400
Televising of Sewer Mains	$ 97,193
Analyze Pumping Characteristics of Pumping Stations	$ 10,062
Rehab Pumping Stations Response to Study	$ 50,380
Cathodic Protection Installation – East Gate II PS	$ 9,120
Volute Replacement on Pumps at Birchfield & Atrium PS	$ 21,590
Rehab Control Cabinet at Wildflowers PS	$ 16,075
Rebuild Motors / Pumps at Pumping Stations	$ 25,954
Removal of Under Ground Storage Tank at Birchfield PS	$ 30,888



ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)

The above chart demonstrates the Authority's ongoing and unwavering commitment to keeping its systems and infrastructures current and well maintained. To provide a more expanded time frame, the Authority has made $16.38 million of paid additions to its assets over the five fiscal years 2008 through 2012. During that same five year period, the Authority's aggregate Operating Income has totaled $3.62 million. $8.28 million of these paid additions was provided by available cash reserves which were planned and accumulated over many years for the specific purpose of paying for capital projects on a "pay as you go" basis. The Authority has also issued 8.7 million in debt over the past five years, of which $8.1 million was used for capital asset additions for certain capital projects.

The Authority remains committed to an aggressive capital program and will continue to maintain a proactive maintenance philosophy of its capital facilities. Our five-year capital plan calls for the expenditure of $18,252,225 with $3,320,025 budgeted for the upcoming fiscal year. The Authority plans to fund these amounts in the following manner:

	Five year plan	Upcoming year
Projects funded from Unrestricted Net Assets (including reserves for renewal and replacement)	$ 16,482,225	$ 3,315,025
Debt Authorization	$ 1,770,000	$ 5,000

The Authority has not experienced any change in its excellent credit rating, nor does it anticipate any. Although the Authority does not operate under any debt limitations, it is required to receive approval by township resolution prior to issuing any new debt.

ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)

In May 2003, the Authority refunded debt. In doing this, the Authority replaced the outstanding principal balances of its 1992 and 1994 bond issues with the 2003 bond issue. All bonds under the new issue will mature no later than the bonds on the refunded issues. By taking advantage of a very favorable interest rate market, the Authority was able to reduce its debt service by approximately $1,070,000 over the life of the new bonds, while only increasing its outstanding bond debt by $40,000.

In November 2005, the Authority finalized long term financing in the amount of $23,772,200 on two major capital projects. The financing was arranged through the New Jersey Environmental Infrastructure Trust (NJEIT) loan program. This program has an advantageous structure which allows participants to borrow one portion of the funds at current market interest rates, and the other portion at a zero percent interest rate. The Authority's financing resulted in $12,295,000 borrowed at rates between 4% and 5%, and $11,477,200 borrowed interest free. The two capital projects associated with this borrowing were the Aquifer Storage and Recovery (ASR) project and the new Elbo Lane Water Treatment Plant.

In November 2007, the Authority completed a supplemental financing to the above November 2005 loan. This was primarily due to contractor bids being received for the new Elbo Lane Treatment Plant that were higher than anticipated after the 2005 loan amount was determined. This financing was in the amount of $3,500,000. The financing was again arranged through the New Jersey Environmental Infrastructure Trust loan program. This program has an advantageous structure which allows participants to borrow one portion of the funds at current market interest rates, and the other portion at a zero percent interest rate. The Authority's financing resulted in $2,635,000 borrowed at rates between 3.4% and 5%, and $865,000 borrowed interest free. Additional supplemental loans were authorized that, when combined with the 2007 supplemental loan, created loans of roughly equal size, one bearing market interest rates and the other being interest free.

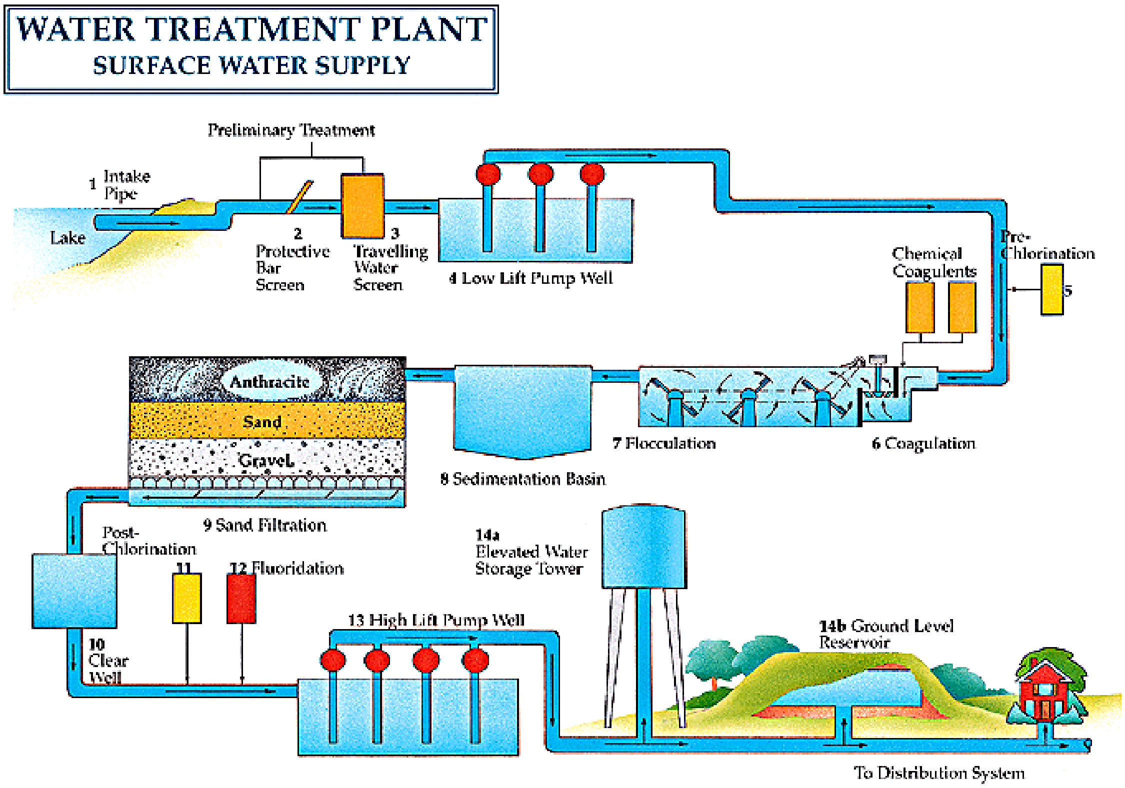
In December 2008, the Authority closed on the supplemental loans referenced immediately above. The two loans included one bearing market rate interest, in the amount of $33,544. This loan was paid off immediately. The second, in the amount of $1,677,183 is an interest free loan. Principal payments will cease in 2028.

In December 2009, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust totaling $2,244,600 for the completion of a solar energy array that generates power for a sewer pumping station and a groundwater well. $1,109,600 of this loan is at a zero percent interest rate. The remaining $1,135,000 was borrowed at interest rates ranging from 2% to 5%. This project also included a Federal American Recovery and Reinvestment Act (ARRA) grant of $2,219,200. The ARRA grant does not require repayment and was forgiven at closing. Principal payments will cease in 2029.

In March 2010, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust totaling $1,282,000 for pipe lining and manhole rehabilitation. $962,000 of this loan is at a zero percent interest rate. The remaining $320,000 was borrowed at interest rates ranging from 3% to 5%. Principal payments will cease in 2029.

LOOKING FORWARD

The Authority has been actively pursuing alternative sources of water to meet user demand. Currently, the Authority must purchase from outside water purveyors the excess water gallonage between its system demand and its permitted withdrawal from the Potomac-Raritan-Magothy aquifer. The Authority believes the development of less expensive alternatives is possible. Several have been identified. If the Authority receives approval from the appropriate regulatory agencies and develops these alternatives, particularly the building of a surface water treatment plant, the operating expense for the purchase of water from outside purveyors can be significantly reduced. Capital expenditures for a new plant would be significant. Below is a diagram of a typical surface water treatment system.



The Authority was previously named as a defendant in a landfill lawsuit (known as BEMS). A settlement agreement has been reached which requires the Authority to make five annual installment payments of $9,147.20. The first of these payments was made in June, 2012.

This financial report is designed to provide Mount Laurel's citizens and our customers, clients, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Finance Director, Mount Laurel Township Municipal Utilities Authority, 1201 South Church Street, Mount Laurel, NJ 08054 or visit our website at www.mltmua.com.