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 2013 (July 2012 – June 2013), the Authority generated a 205% cover. Key financial highlights for the Authority's Fiscal year 2013 (FY13) include:

- Service charges were up significantly, increasing $1.1 million over fiscal year 2012 (FY12). Connection fees remained at roughly the same level as FY12. Other operating revenues increased sharply, largely the result of a significant reduction in Allowance for Doubtful Accounts and an extraordinary revenue item described within. Total operating revenues grew at a healthy rate of 6.55%.
- Consumer accounts receivable of $4.11 million exceeded FY12 consumer accounts receivable of $3.78 million.
- Investment income declined to $172,400, down from $204,000 in FY12.
- Interest on debt dropped nearly 15%, from $855,800 in FY12 to $729,000.
- Total debt service, including principal and interest, decreased by over $77,000.
- Total liabilities decreased from $33.61 million in FY12 to $29.56 million in FY13.

Management's Discussion and Analysis (MD&A) (Cont'd)

FINANCIAL HIGHLIGHTS (CONT'D)

- At year-end, total assets were $139.22 million, which exceeded liabilities and total deferred inflows of resources of $32.29 million. The resultant net position at year-end was $106.93 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.

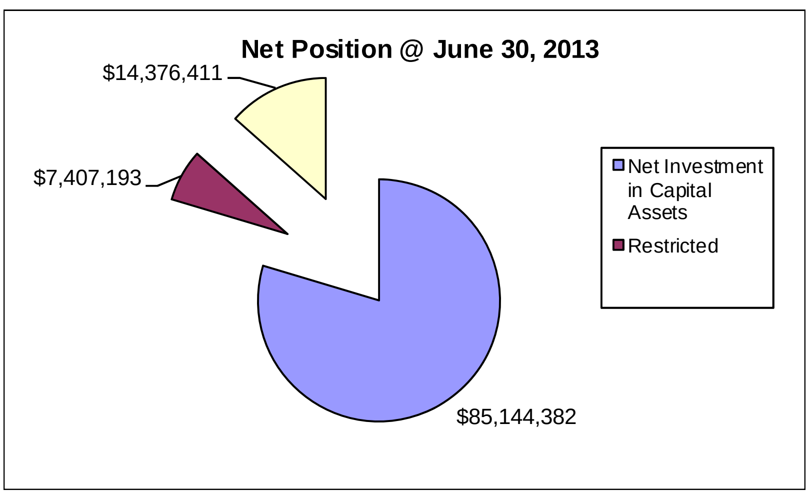
The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net position include all of the Authority's assets and liabilities. As the Authority follows the accrual method of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

The comparative statements of revenues, expenses and changes in net position 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 $139,220,069.97 on June 30, 2013. Total assets, total liabilities, total deferred inflows of resources and total net position are detailed below and on the next page.



* In calendar year 2003, the Authority began planning the annual use of a portion of its unrestricted net position 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 Position is also used as the funding source for that portion of the Authority's capital program not funded by debt issuance.

Management's Discussion and Analysis (MD&A) (Cont'd)

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

Mount Laurel MUA
Net Position
As of June 30,

	2013	2012 (Restated)	2011 (Restated)
Current Assets	$ 26,289,205.65	$ 25,167,841.44	$ 26,708,665.15
Capital Assets	112,930,864.32	115,395,090.30	116,761,281.53
Total Assets	**139,220,069.97**	**140,562,931.74**	**143,469,946.68**
Current Liabilities	5,146,491.15	5,322,818.45	6,128,931.35
Long-Term Liabilities	24,412,752.55	28,290,093.68	31,772,753.54
Total Liabilities	**29,559,243.70**	**33,612,912.13**	**37,901,684.89**
Total Deferred Inflows of Resources	**2,732,840.39**	**2,148,853.02**	**2,302,516.40**
Net Position			
Net Investment in Capital Assets	85,144,381.65	84,415,594.80	81,893,024.73
Restricted	7,407,192.86	7,380,560.76	7,468,436.59
Unrestricted	14,376,411.37	13,005,011.03	13,904,284.07
Total Net Position	**$ 106,927,985.88**	**$ 104,801,166.59**	**$ 103,265,745.39**

The Authority realized operating income of $2,736,422.69 for the current year. When offset by a loss from non-operating activities, the Authority's income before capital contributions was $1,309,810.14. During FY13, the Authority received capital contributions in the amount of $817,009.15. The combined effect resulted in the Authority's net position increasing by $2,126,819.29. Major components of this activity follow.

Management's Discussion and Analysis (MD&A) (Cont'd)

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

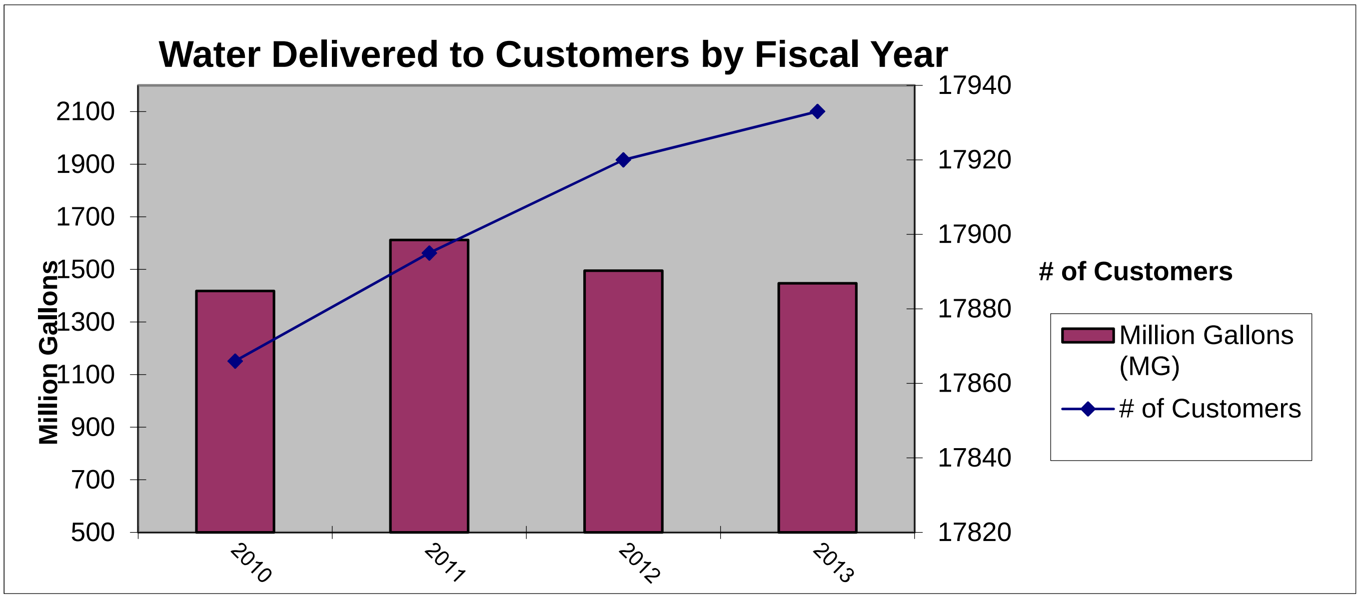
Mount Laurel MUA
Revenues, Expenses and Net Position
for the Fiscal Years Ended June 30,

	2013	2012 (Restated)	2011 (Restated)
Utility Service Charges	$ 19,603,512.00	$ 18,503,996.59	$ 18,386,217.74
Connection Fees	288,906.90	299,482.60	286,187.56
Other Operating Revenues	499,736.88	334,983.80	603,364.42
Total operating revenues	**20,392,155.78**	**19,138,462.99**	**19,275,769.72**
Operating Expenses	12,189,537.37	12,184,033.37	11,957,631.77
Depreciation expense	5,466,195.72	5,263,844.42	5,465,177.33
Operating Income	**2,736,422.69**	**1,690,585.20**	**1,852,960.62**
Non-operating Revenues (Expenses)			
Investment Income	172,440.18	204,068.87	224,535.64
Interest on debt	(728,969.83)	(855,766.54)	(986,149.91)
Loss on disposal of property, plant & equipment	(284,082.90)	(1,135.81)	(4,184.05)
Cancellation of prior year receivable		(112,153.37)	
Contribution to Mount Laurel Township	(586,000.00)	(586,000.00)	(400,000.00)
Income before contributions	**1,309,810.14**	**339,598.35**	**687,162.30**
Capital contributions	817,009.15	1,195,822.85	574,484.60
Increase in Net Position	**2,126,819.29**	**1,535,421.20**	**1,261,646.90**
Net Position - July 1 (Previously reported)	-	-	102,620,927.76
Prior period adjustment	-	-	(616,829.27)
Net Position - July 1 (Restated)	104,801,166.59	103,265,745.39	102,004,098.49
Change in Net Position	2,126,819.29	1,535,421.20	1,261,646.90
Net Position - June 30	**$106,927,985.88**	**$104,801,166.59**	**$103,265,745.39**

Management's Discussion and Analysis (MD&A) (Cont'd)

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

Service charges increased strongly in FY13 when compared to the previous year. Primary factors for this were an increase of over 30 million gallons delivered to service in the summer of 2012 compared with the same period in 2011. This resulted in more billing in the higher rate tiers of the Authority's rate structure. Additionally, an across the board rate increase went into effect with the February 2013 billings. Finally, accruals for fiscal year end billings were approximately $300,000 higher than the prior year. 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 that were implemented with each year's February billings through 2013.



Connection fee revenue remained relatively flat in a year over year comparison between FY13 and FY12. 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 deferred inflows of resources 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 deferred resource and recognizes connection fee revenue. 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 $30,000 compared to FY12 as 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 increased its cash position as investments matured during the year and will continue to monitor the markets to determine an appropriate time to purchase quality investments with reasonable yields.

Management's Discussion and Analysis (MD&A) (Cont'd)

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

Mount Laurel continues to be a desirable location for residential and commercial development. The composition 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 dozens of 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.

Residence Inn, Mount Laurel

The Authority's fiscal activity yielded positive results for the year, outpacing FY12 by slightly less than $600,000. The three sources of operating revenue generated an aggregate of $20.39 million, up $1.25 million (approximately 6.5%) from FY12. Increased Service Charge revenues, discussed previously, accounted for the overwhelming portion of the aggregate increase. Other Operating Revenues exceeded prior year by approximately $165,000 for two primary reasons. First, the Authority was able to reduce its allowance for Doubtful Accounts by approximately $80,000. Second, the Authority received $80,000 from a developer as compensation for a sewer line previously installed at a flatter slope than specified. This amount was paid in consideration of the possibility that future O&M issues may result on that line. 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 over the last three fiscal years. 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.

As the original budget for FY13 was formulated prior to April 2012, certain actual events during the year necessitated amending the budget. The Authority approved this budget amendment in June 2013. Following is a narrative addressing the more significant amendments, and how those amendments compare to actual operating results for the current year.

Service charges, including fire services, were originally budgeted at $18.79 million but were amended to $19.06 million. Primary factors for this were increased revenues being generated from the consumption of water in the first four months of the fiscal year. High consumption during this period resulted in more billings at the higher tiers of the rate schedule. Also, a rate increase was instituted beginning with the February 2013 monthly bills. A Residence Inn hotel began operation, producing new service billings starting in the fall of 2012. Finally, accrued revenues at fiscal year-end exceeded accrued revenue from the same period in the prior fiscal year by approximately $300,000. Actual service charges were $19.60 million.

Management's Discussion and Analysis (MD&A) (Cont'd)

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

Connection fee revenue was amended from $700,800 to $258,800. Several anticipated connections did not materialize in FY13. Hilton Garden Inn ($104,000), Roger's Walk ($256,000) and Rancocas Pointe ($91,500) were the notable projects that did not connect by fiscal year end. It is expected that these projects will connect to the Authority's systems in FY14. Actual connection fee revenue was $288,900.

Other Operating Revenues increased by $165,000 over FY12 levels. Two factors not commonly encountered served to produce virtually all of this increase – a significant reduction in the Allowance for Doubtful Accounts and the receipt of payment for the possible future O&M costs associated with a developer installed sewer line. Both of these factors are described previously.

Employee entering confined space

OPERATING EXPENSES

The Authority's operating expenses of $12.19 million for FY13 (not including depreciation) were nearly identical to FY12, increasing by a mere $5,500. For the six years of FY08 through FY13, 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 FY13.

Salaries and Wages expense decreased by over $19,000 in FY13. Throughout the year, six employees either retired or resigned. These employees were replaced, but three of the replacements occurred in the final two months of the fiscal year. The timing of the retirements, resignations and replacements explains the overall reduction in expense. In addition, the Authority continued strict adherence to a policy of no overtime work except in cases of extreme need or emergency. A new Collective Bargaining Agreement (CBA) was finalized during FY12. 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 current year's expense for all salaries and wages totaled $3.677 million, compared with last year's $3.696 million. The budget for this expense was originally set at $3.773 million but was amended to $3.828 million to reflect the actual timing of the personnel changes described above.

Fringe Benefits exceeded the prior year by $38,200; a 2.1% increase. Two fringe benefit line items, Group Medical / Dental Insurance and Worker's Compensation Insurance account for the majority of this increase. Group medical insurance was provided through the New Jersey State Health Benefits Plan (SHBP); dental insurance by Dearborn National. Combined group insurance costs increased only $28,600 compared to the prior year. This represents a 2% increase in this expense category, which is welcome considering premium increases generally seen for group insurance plans. Worker's Compensation costs increased $13,000. This was due to an increase in the class code rates set by the state Worker's Compensation Bureau, salary increases and an increase in the Authority's experience modification. Other minor fluctuations in FICA taxes, disability and Life / Accidental Death and Dismemberment insurances account for the difference.

Management's Discussion and Analysis (MD&A) (Cont'd)

OPERATING EXPENSES (CONT'D)

Electricity costs decreased in the current year, falling nearly $95,000 from $1.08 million in FY12 to $984,800 in FY13. Control of this operating expense has been a priority of the Authority for several years, and is being achieved in a number of ways. Sophisticated process control computers have been installed to regulate energy consumption at its plant facilities, variable frequency drives and more efficient pumps are being used, and dozens of emergency generators are exercised on a regular basis. A well run preventive maintenance schedule keeps generators in excellent, efficient condition. Load banking equipment is also used, which identifies problems early.

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 also 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 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.

The Authority's third party electric supply contract renewed with the June 2012 electric meter readings. Lower pricing in this renewal accounted for roughly half the electric expense savings in FY13.

The purchase of water from outside purveyors increased by over $205,000 in FY13. 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 64% (about 925 million gallons) of Mount Laurel's water demand was purchased from these purveyors. In FY12, these purveyors provided 58% (about 862 million gallons) of Mount Laurel's water supply. The Authority's work at Well #4 added a Variable Frequency Drive (VFD) and associated Supervisory Control and Data Acquisition (SCADA) system controls. VFD and SCADA improvements 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 during peak times. This work made the well unavailable for use during several months in the fiscal year. Unexpected operational issues at Well #6 that will be addressed in the current fiscal year, also occurred while Well #4's upgrade was being completed which caused a greater reliance on purchased water until both wells were operational. The Authority's water supply plan was adjusted to address this work, but due to a lower than anticipated system demand, full use of the planned well flow was not realized and resulted in a higher than anticipated use from our purchased water sources. Actual expenses were $2.58 million. The Authority continues to seek alternative, less expensive ways to provide water to its service area.

Management's Discussion and Analysis (MD&A) (Cont'd)

OPERATING EXPENSES (CONT'D)

Well #4 – Equipment and well improvements

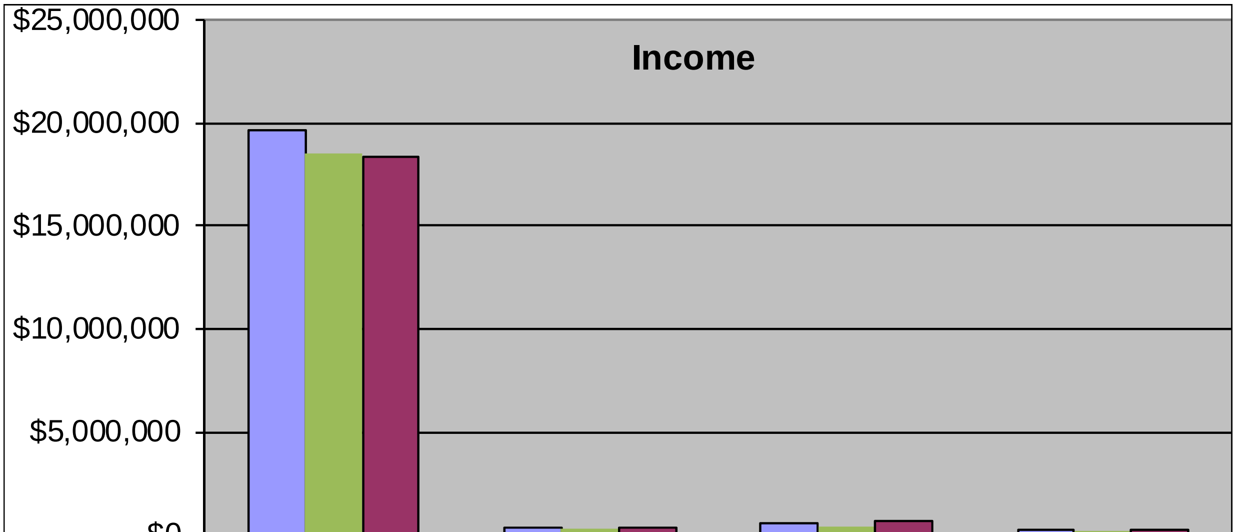
Chemical expense overall decreased significantly when compared to FY12. Total actual costs were $523,000 compared to $590,400; a decrease of $67,400. A large portion of this decrease was due to a reduction in the use of odor control chemicals, whose year over year decrease was $54,100. The build-up of hydrogen sulfide gas in sewer pipes occurs more quickly at warmer temperatures. Spring 2013 was a relatively normal season regarding temperature. This resulted in less use of odor control chemicals compared to the same period in 2012, which was unusually warm. The Authority has been actively seeking ways to reduce its cost further for this type of chemical without negatively impacting its infrastructure. While continuing the use of hydrogen peroxide, the Authority's operational staff continues 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 FY13 dropped by $127,000. 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. The Authority has not taken on any new debt in FY13 and anticipates none in FY14.

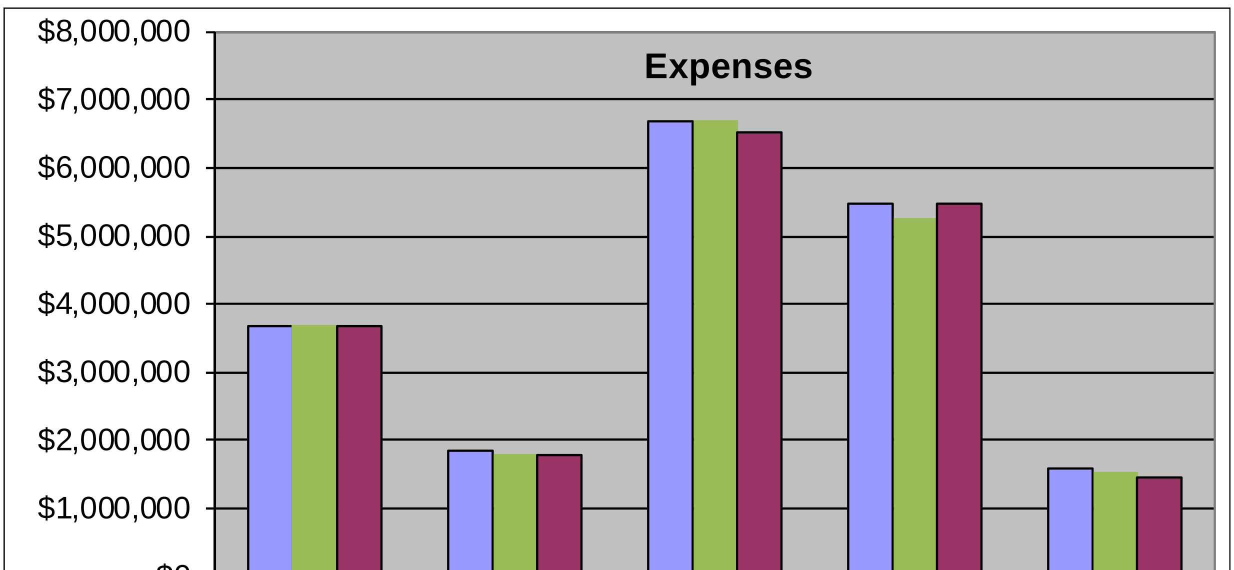
The Authority contributed $586,000 to Mount Laurel Township in FY13. This amount was determined in accordance with N.J.S.A. 40A:5A-12.1.

Management's Discussion and Analysis (MD&A) (Cont'd)

OPERATING INCOME AND EXPENSES



	Utility Service Charges	Connection Fees	Other Operating	Non Operating
2013	$19,603,512	$288,907	$499,737	$172,440
2012	$18,503,997	$299,483	$334,984	$204,069
2011	$18,386,218	$286,188	$603,364	$224,536

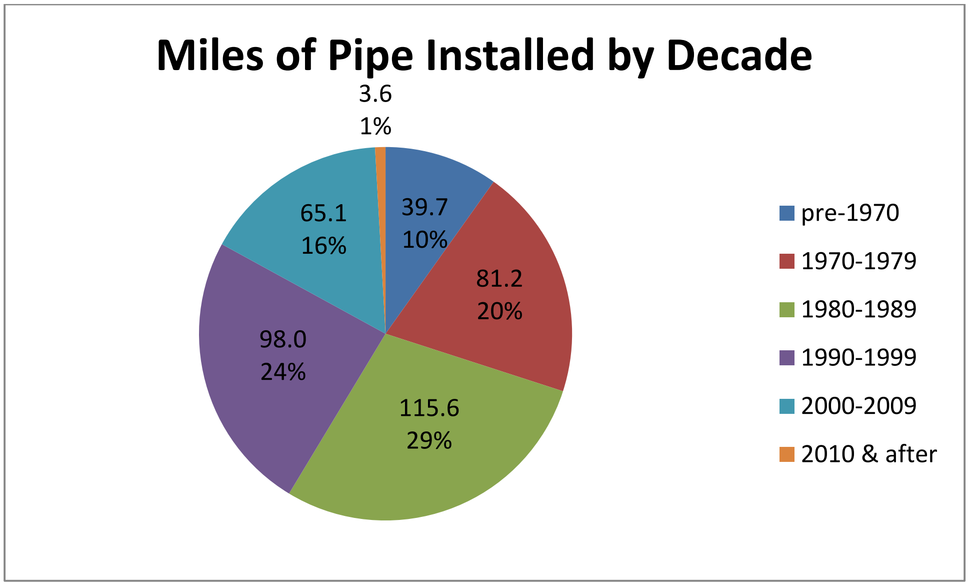


	Salaries & Wages	Fringe Benefits	Other Operating	Depreciation	Non Operating
2013	$3,677,134	$1,839,716	$6,672,687	$5,466,196	$1,599,053
2012	$3,696,251	$1,801,503	$6,686,279	$5,263,844	$1,555,056
2011	$3,674,210	$1,776,040	$6,507,382	$5,465,177	$1,456,157

Management's Discussion and Analysis (MD&A) (Cont'd)

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 developing and implementing 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 with DEP.

Management's Discussion and Analysis (MD&A) (Cont'd)

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

During FY13, the Authority disbursed $2.47 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	$ 13,394
Meter Change Out Program	$ 190,200
Water Dist. System Modeling (Hydraulic)	$ 39,274
Water Facilities Access Security	$ 14,424
Painting of MUA Facilities (Corrosion Control Protection):	
Surface Prep and Painting of (2) Recycle Tanks @ Elbo Lane WTP	$ 25,391
Painting of (10) Sand Filters Tank Steel Rings and Filter Room Ceiling At Elbo Lane WTP	$ 24,851
Painting of Interior at Lakes Pumping Station	$ 12,967
Painting of Interior at Mason Creek Pumping Station	$ 12,967
Painting of Interior at Millstream Pumping Station	$ 12,967
Painting of Interior at Union Mill Pumping Station	$ 18,368
Well # 7 ASR Replacement of Fluoride Addition System	$ 9,755
Well # 7 ASR Recharge Meter Replacement	$ 8,149
Well # 4 Equipment & Well Improvements	$ 438,906
HVAC Commissioning Study 41 Elbo Lane	$ 19,607
Elbo Lane WTP – Chlorine Contact Chamber Repair	$ 12,329
Elbo Lane Chlorination System Replacement	$ 6,309
Willingboro Interconnection – Valve Replacement	$ 14,734
Watermain Replacement:	
Indigo Drive	$ 304,008
Buckingham Way	$ 6,618
Camber Lane	$ 4,140
Upgrade Radios to Narrow Broad Band System	$ 15,197
Upgrade Telephone System at HRWPCF	$ 16,931
Televising of Sanitary Sewer Mains	$ 209,391
Sewer Forcemain Valve Replacement	$ 41,696
Sludge Press Building # 2 Major Rehab	$ 101,062
Replacement of Orbal Motors at HRWPCF	$ 8,457

Management's Discussion and Analysis (MD&A) (Cont'd)

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

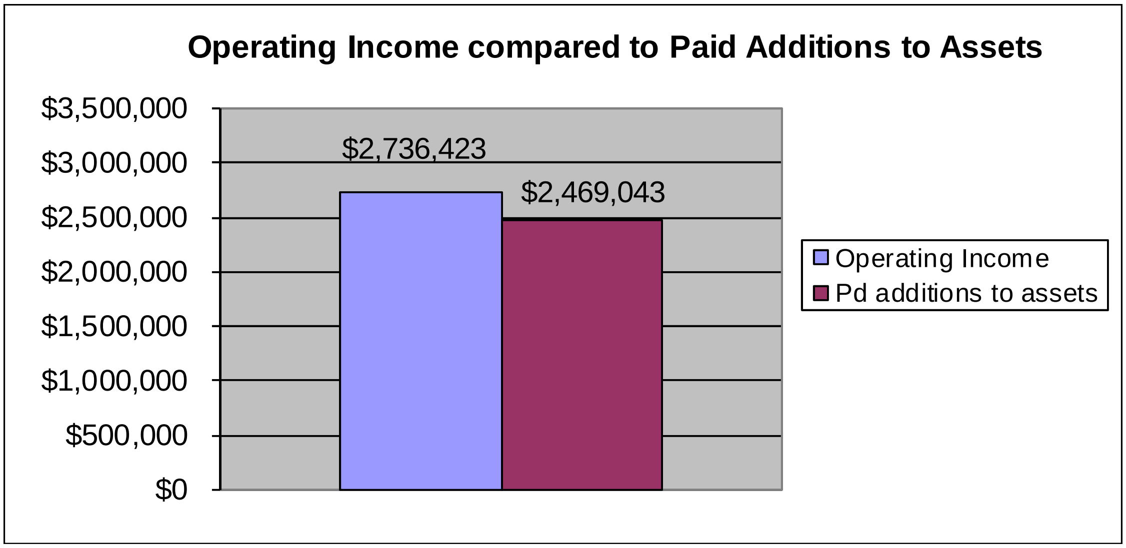
Asset	Amount disbursed
UV Unit Replacement at HRWPCF	$ 92,042
Orchard Pumping Station:	
New Controls and Equipment Upgrade & Site Improvements	$ 67,354
Holiday Village East Pumping Station:	
New Controls and Equipment Upgrade	$ 53,137
Library Pumping Station Upgrade Volutes, Impellers, & Bar Screen Guide Rails	$ 24,829
Replacement of Failed VFD's	$ 14,188
Rebuild Pumps / Motors at Pumping Stations	$ 63,733
Paving & Concrete Replacement at 1201 South Church Street	$ 43,800
Replacement Standby Generator at Tricia Meadows Pump Station	$ 27,450

Sanitary sewer main rehabilitation project

Preparation for Indigo Drive water main replacement

Management's Discussion and Analysis (MD&A) (Cont'd)

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 $18.85 million of paid additions to its assets over the six fiscal years 2008 through 2013. During that same six year period, the Authority's aggregate Operating Income has totaled $6.35 million. $10.75 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 six 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 $20,854,560 with $4,193,260 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)	$	19,089,560	$	4,188,260
Debt Authorization	$	1,765,000	$	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 Mount Laurel Township resolution prior to issuing any new debt.

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.

Management's Discussion and Analysis (MD&A) (Cont'd)

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

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.

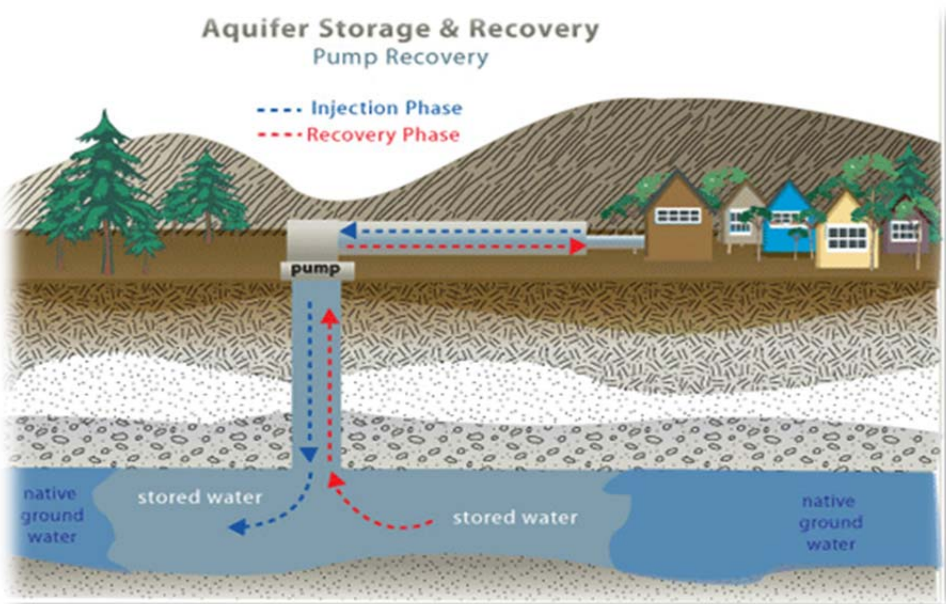
In December 2009, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust totaling $2,244,600 for the completion of a solar energy array that generates power for a sewer pumping station and a groundwater well. $1,109,600 of this loan is at a zero percent interest rate. 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.

Management's Discussion and Analysis (MD&A) (Cont'd)

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 difference 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. Regardless of whether this surface water treatment plant is built, the Authority will be adding a second Aquifer Storage and Recovery (ASR) well (depicted in the diagram on the next page). In the short term, a second ASR well will enable the Authority to meet future increased peak summer water demands while maintaining its existing contracts for purchase of water. In addition, the well will be an integral component of a surface water treatment plant if it is constructed.



Aquifer Storage & Recovery (ASR) Well - Mt. Laurel MUA currently has one ASR and plans to add a second in the future

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.