Mount Laurel Township Municipal Utilities Authority

Management's Discussion and Analysis (MD&A)

(Unaudited)

FINANCIAL HIGHLIGHTS

Management believes the financial position of the Authority remains strong. 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 2022 (FY22, July 2021 – June 2022), the Authority generated a 319% cover. Key financial highlights for FY22 include:

- When compared to fiscal year 2021 (FY21, July 2020 – June 2021), total assets decreased slightly 0.60%) to $145.93 million. Total liabilities also decreased by about $3 million, a 9.6% decrease.

- Service charges increased by approximately $224,000 (1.16%) compared to FY21. Connection fees dropped by $620,094 as compared to FY21. Investment income dropped significantly due to the volatility in the investment market due to COVID 19. In total, operating and non-operating revenues were less then operating and non-operating expenses by $529,531 which lead to a decrease in the Authority's Net Position for FY22.

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 schedule of the Authority's proportionate share of the net pension liability, and the schedule of the Authority's contributions, the basic financial statements, and supplemental information.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

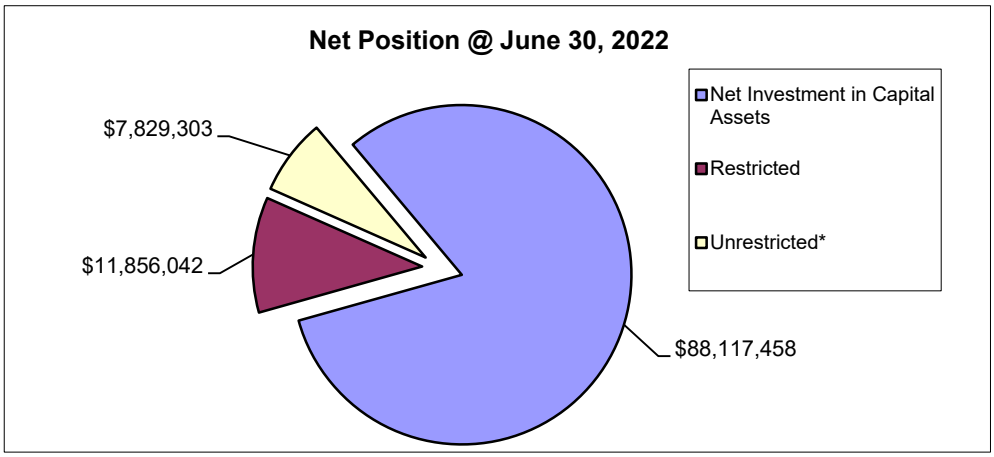
The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net position include all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources. As the Authority follows the accrual method of accounting, the current fiscal year's revenues and expenses are accounted for in the comparative 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, deferred outflows of resources, 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 fiscal year.

The comparative statements of cash flows provide a breakdown of the various sources of cash flows 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 as of June 30, 2022, were $145,939,081. Total assets, total deferred outflows of resources, total liabilities, total deferred inflows of resources and total net position are detailed on the following page.



* Unrestricted Net Position is primarily used to pay for the Authority's capital program not funded by debt issuance. More information concerning the use of these funds can be found later in this MD&A, under the "Operating Income compared to Additions to Capital Assets" graph within the Asset Management, Capital Asset, and Long-Term Debt Activity section.

Replacement Vehicle 51

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

Mount Laurel MUA
Net Position
As of June 30,

	2022	2021	2020	Change from FY 2021 to FY 2022 Amount	Percentage
Current Assets	$ 40,159,243	$ 38,855,148	$ 41,067,591	$ 1,304,095	3.36%
Capital Assets	105,779,838	107,963,067	106,157,381	(2,183,229)	-2.02%
Total Assets	**145,939,081**	**146,818,215**	**147,224,972**	**(879,134)**	**-0.60%**
Total Deferred Outflows of Resources	**1,855,458**	**1,624,093**	**2,178,208**	**231,365**	**14.25%**
Current Liabilities	6,034,255	5,677,277	5,631,099	356,977	6.29%
Long-Term Liabilities	24,365,830	27,975,791	31,081,391	(3,609,961)	-12.90%
Total Liabilities	**30,400,085**	**33,653,069**	**36,712,490**	**(3,252,984)**	**-9.67%**
Total Deferred Inflows of Resources	**9,591,650**	**6,456,903**	**6,081,030**	**3,134,746**	**48.55%**
Net Position					
Net Investment in Capital Assets	88,117,458	89,579,216	88,309,991	(1,461,757)	-1.63%
Restricted	11,856,042	12,120,496	10,021,081	(264,453)	-2.18%
Unrestricted	7,829,303	6,632,624	8,278,587	1,196,679	18.04%
Total Net Position	**$ 107,802,804**	**$ 108,332,335**	**$ 106,609,660**	**$ (529,531)**	**-0.49%**

The Authority realized operating income of $830,274. for the current fiscal year. When offset by a loss from non-operating activities, the Authority's loss was $529,531. These contributions come in the form of infrastructure installed by developers during construction. Once the developer finalizes the project and it is accepted by the Authority, the developer transfers ownership of the new infrastructure to the Authority. These capital contributions become Authority assets, requiring operation, repair, and maintenance throughout their lifecycle. During FY22, the Authority did not receive any system assets through capital contributions. The combined effect from all components of fiscal activity resulted in the Authority's net position decreasing by $529,531. The major components of this activity are discussed in the paragraphs on the following pages.

A former strip mall in the Rancocas Woods neighborhood was redeveloped into 37 luxury apartments, Mount Laurel Manor
The project was formerly serviced by a septic system but connected to the Authority's sanitary sewer

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,

	2022	2021	2020	Change from FY 2021 to FY 2022 Amount	Change from FY 2021 to FY 2022 Percentage
Utility Service Charges	$ 19,541,381	$ 19,316,936	$ 18,938,682	$ 224,445	1.16%
Connection Fees	379,105	999,199	1,749,091	(620,094)	-62.06%
Other Operating Revenues	519,182	463,831	514,093	55,352	11.93%
Total Operating Revenues	**20,439,669**	**20,779,966**	**21,201,866**	**(340,297)**	**-1.64%**
Operating Expenses	12,880,171	13,707,345	13,798,804	(827,174)	-6.03%
Depreciation expense	6,729,223	6,559,739	6,499,625	169,484	2.58%
Operating Income	**830,274**	**512,881**	**903,437**	**317,393**	**61.88%**
Non-operating Revenues (Expenses)					
Investment Income	(130,200)	88,415	559,573	(218,615)	-247.26%
Interest on Debt	(283,442)	(313,849)	(353,873)	30,407	-9.69%
Debt Issue Costs	(85,371)	(11,113)	(49,656)	(74,258.00)	668.21%
Disposal of Capital Assets	(463,069)	(19,140)	(1,478)	(443,928)	2319.36%
Contribution to Mount Laurel Township	(397,724)	(384,918)	(389,382)	(12,806)	3.33%
Income (Loss) before contributions	**(529,531)**	**(127,725)**	**668,621**	**(401,807)**	**314.59%**
Capital Contributions	-	1,850,400	-	(1,850,400)	100.00%
Increase in Net Position	**(529,531)**	**1,722,675**	**668,621**	**(2,252,207)**	**-130.74%**
Net Position - July 1	108,332,335	106,609,660	105,941,039	1,722,675	1.62%
Change in Net Position	(529,531)	1,722,675	668,621	(2,252,207)	-130.74%
Net Position - June 30	**$ 107,802,804**	**$ 108,332,335**	**106,609,660**	**$ (529,531)**	**-0.49%**

Service charges rose modestly in FY22 by approximately $224,000 (1.16%). Overall, the 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, and public customers, along with a very small industrial presence. The rate structure is stable and included a rate increase adopted in FY19 (effective with the February billings in 2019, 2020 and 2021) which impacted only the Customer Charge portion of the Authority's water rates. This increase was expected to generate approximately $240,000 (~3%) in additional water utility service charges annually. Prior to this, the Authority operated without any rate increases for six years, the last one being implemented in February 2013.

As a total dollar amount, investment income dropped significantly, down $218,615 (247%) when compared to FY21. Interest income has continued to be negatively impacted by the COVID pandemic. Investments that matured during the Fiscal Year had been reinvested into instruments with minimal returns. The Authority tends to hold investments until they mature, fluctuations in market value have no meaningful impact on the Authority.

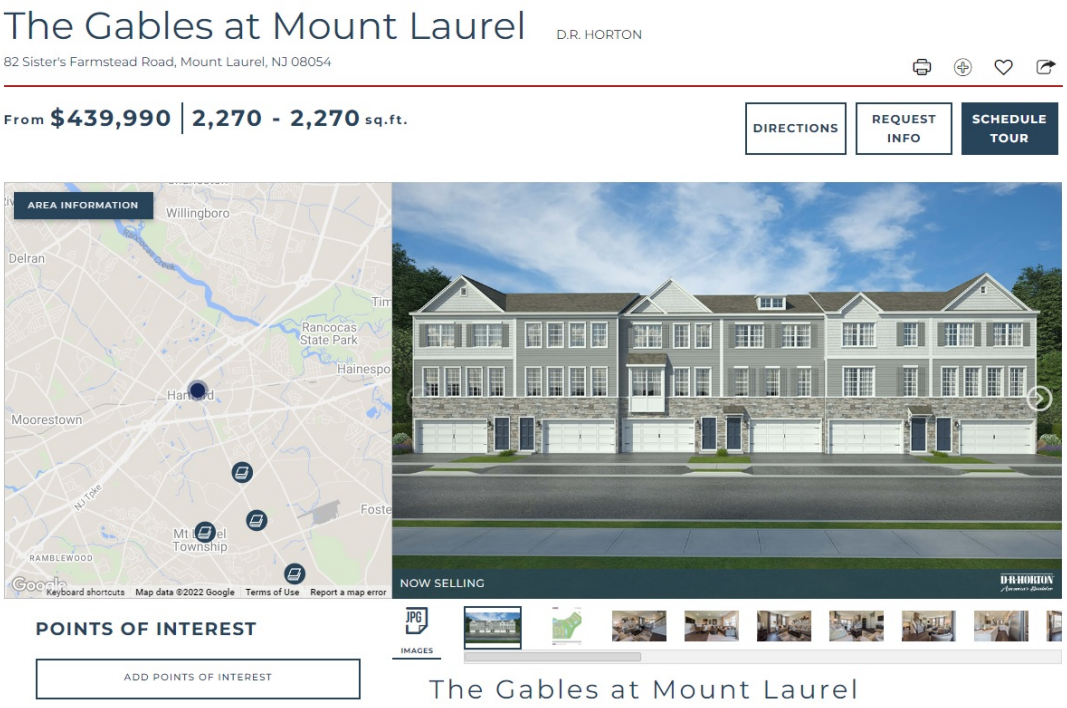
FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONT'D)

Connection fee revenue was budgeted at $492,374 in FY22. Several buildings and individually owned properties associated with this community tied into the Authority's water and sewer infrastructure during the year, resulting in $379,105 of connection fee revenue. Connection fee 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 an applicant has satisfied the Authority's requirements to obtain a certificate of occupancy from the Township. The Authority then establishes a new billing account, reduces the deferred resource, and recognizes the previously paid connection fee as revenue. Because the Township of Mount Laurel is approaching build out as less land is available for development, this type of revenue will generally decline in the coming fiscal years as the last large parcel of land over 50 acres received approvals for development this year. In recognition of this inevitability, the Authority has had a long-term fiscal planning model in place for many years that systematically reduces its dependency on connection fee revenues when projecting total annual revenue needs. This approach has served the Authority well.

Redevelopment of 503 Fellowship Road from Go Kart Amusement to Apartments, The Neil

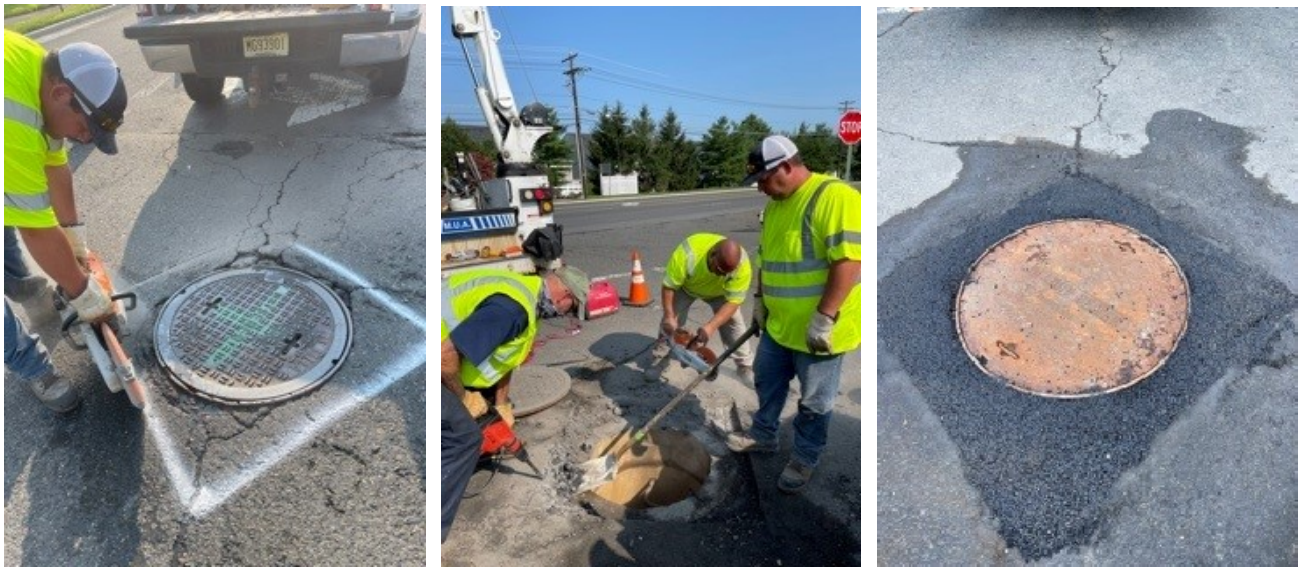
Mount Laurel continues to be a desirable location for residential and commercial development. The composition of the ratepayer base is well diversified. The residential and public sectors, the most stable when considering the volatility of a billing base, comprise approximately 95% of the Authority's customers. There are dozens of hotels within the Township, providing the second highest number of rooms in New Jersey, behind only Atlantic City. There is no particular emphasis or imbalance in the type of business enterprises within the commercial sector. Industrial users comprise a minuscule portion of the Authority's billing base. The Township has identified areas of redevelopment and we anticipate this will add to the diverse and stable customer base of the Authority.

OPERATING REVENUES & EXPENSES



New 500 Unit Gables Development

The COVID-19 pandemic continued to have impact on the Authority in FY22. In March 2020 the Authority split its operational workforce into multiple teams and deployed them in the field from remote facilities which continued through this fiscal year; we were able to maintain all our core responsibilities with regard to delivery of services, water quality standards, wastewater collection and processing and systems maintenance. Throughout the pandemic, all facilities continued to be fully operational, and the Authority remained available 24/7. Entry into customer premises resumed and our buildings were reopened to the public on November 30, 2021.



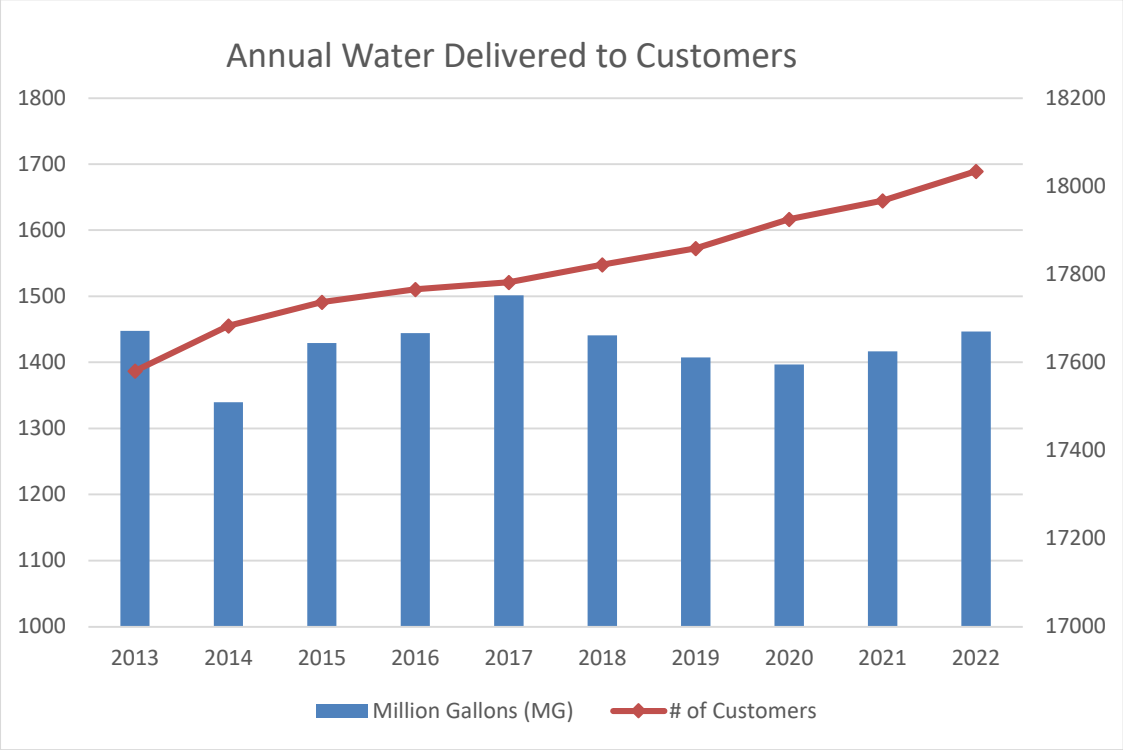
Authority Personnel Repair a Sanitary Manhole at Street Level

OPERATING REVENUES & EXPENSES (CONT'D)

Service charges (user fees) were budgeted at $18.12 million. The COVID-19 pandemic continued to have an impact on how water was consumed and billed. Due to various periods of reduced occupancy or outright vacancy, water consumption at commercial establishments (office buildings, hotels, retail shops, etc.), schools, and public entities led to consumption-based revenues for these classes of ratepayers falling.

The Authority's operating expenses of $12.88 million (excluding depreciation) in FY22 were approximately $820,000 less than in FY21. This was largely due to a few significant operational events during the fiscal year, which are described more fully below. We saw in FY22, that our operations were impacted significantly by the cost of fuel, from our disposal costs for our biosolids to fuel for our vehicle fleet. We also see it in the cost of chemical delivery. Our repairs and maintenance related to main breaks has also increased. Along with our energy costs to run our facilities. We did spend less on the purchase of water and our labor cost were lower due to not having full staffing for a large portion of the year.

The total volume of water delivered to customers in FY22 was approximately 2% higher than FY21, which is a normal fluctuation based on past 10-year historic use trends. The New Jersey Department of Environmental Protection (DEP) has restricted the quantity of water that the Authority can withdraw from its wells drilled into the Potomac-Raritan-Magothy Aquifer (PRM). This restriction is due to the DEP's determination that the Authority's wells are located in a conical depression caused by overuse within the PRM known as Water Supply Critical Area #2. In an effort to keep salt water from intruding into this freshwater aquifer, the DEP has restricted the amount of water the Authority is permitted to withdraw to the volume utilized by the Township in 1980. However, because the Township has experienced explosive growth in the ensuing years, the Authority has been forced to purchase more and more of its water from other water purveyors to meet the water demands of our ratepayers. Contractual obligations to purchase this water are in place with New Jersey American Water Company (NJAWC) and Willingboro Municipal Utilities Authority (WMUA).



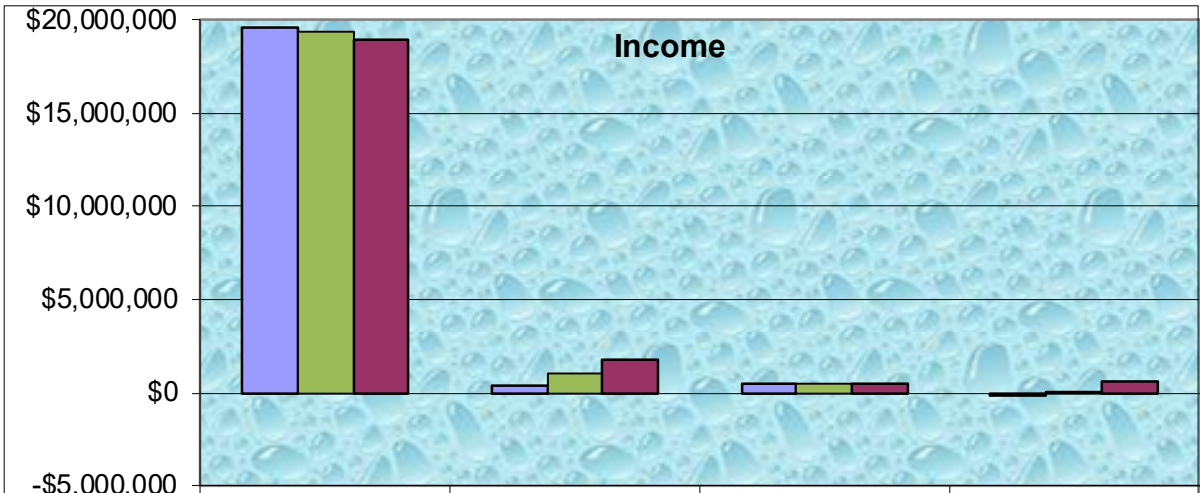
OPERATING REVENUES & EXPENSES (CONT'D)

Regarding the NJAWC agreement, the Authority is required to annually notify NJAWC of the gallonage it is committing to purchase from them during the off-peak "nomination" period (October – April). When budgeting for FY22, the Authority determined it would only need to nominate 450 million gallons, although 550 million gallons was contractually available. The water demand from the Authority's ratepayers is a key factor in determining the nomination amount each year.

In FY20, we successfully re-negotiated our third-party Bulk Purchase/Sale contract between the Authority, Willingboro Municipal Utilities Authority (WMUA) and Evesham Municipal Utilities Authority (EMUA). It now includes a cap on WMUA rate increases. The agreement still provides for the gross annual availability of 730 million gallons, allocated to the Authority and EMUA at 75% / 25% respectively. The new agreement also includes a water wheeling charge to EMUA (payable to the Authority) and provisions for future reductions in the allocated percentage delivered to EMUA as the Authority's water supply needs increase.

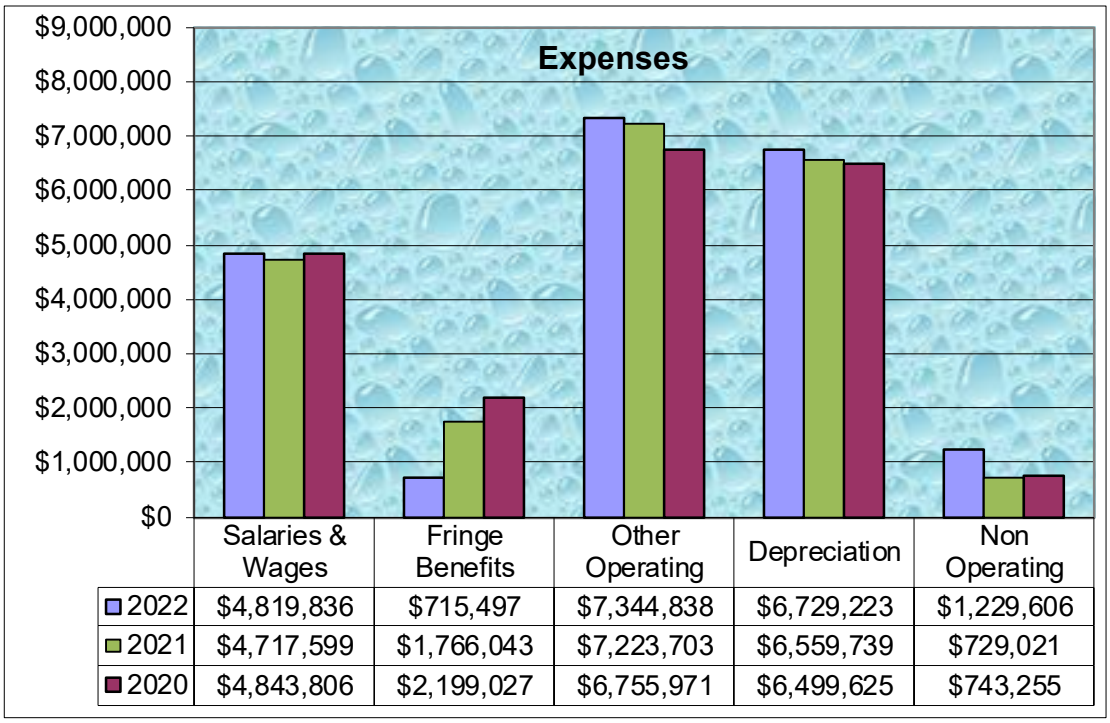
The Authority contributed $397,724 to Mount Laurel Township; the thirteenth straight fiscal year a contribution has been made. This amount was determined in accordance with N.J.S.A. 40A:5A-12.1. With this contribution, the Authority has now given a total of $5,811,372 to the Township.

Graphical representations showing revenues and expenses for the three fiscal years of 2022, 2021 and 2020 follow.



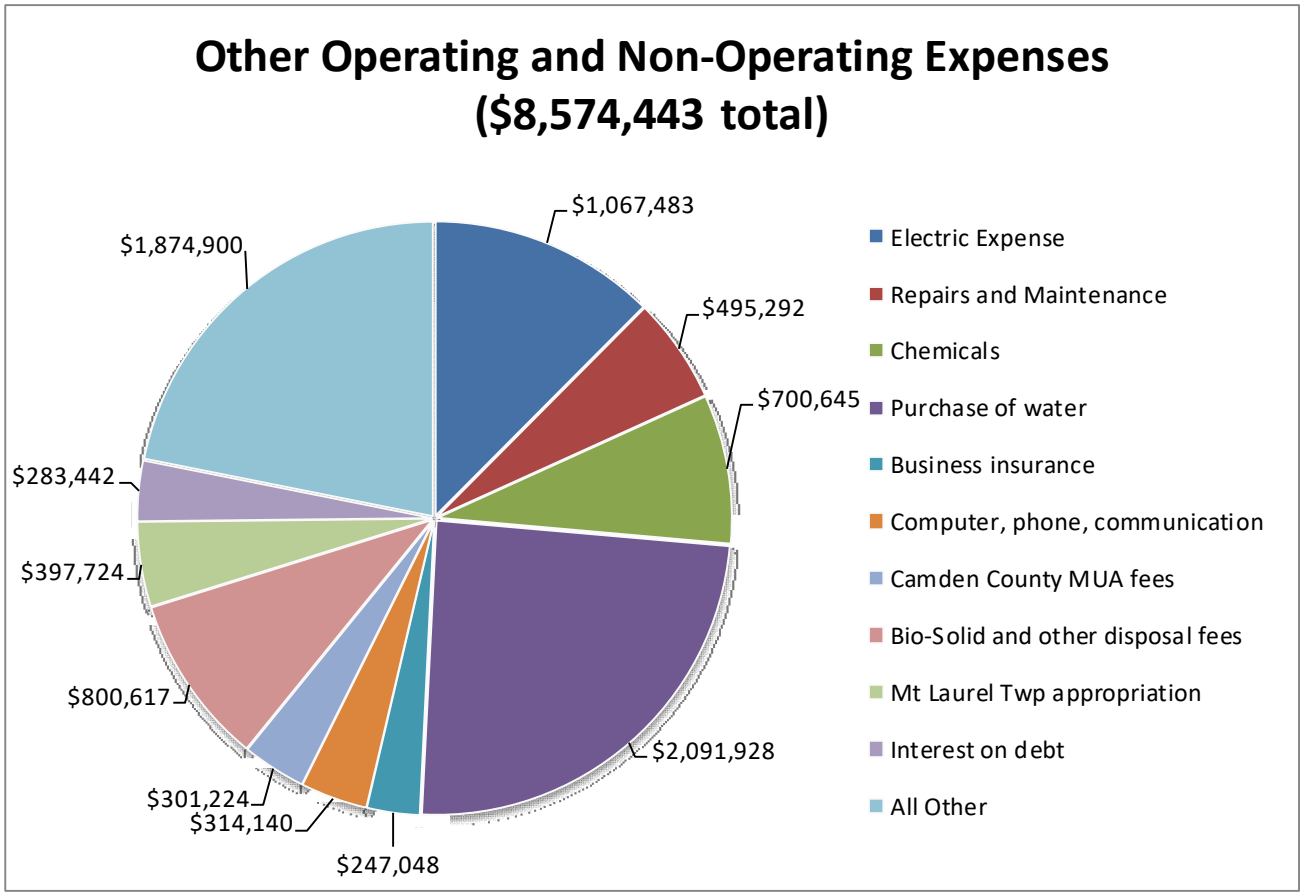
	Utility Service Charges	Connection Fees	Other Operating	Non Operating
2022	$19,541,381	$379,105	$519,182	-$130,200
2021	$19,316,936	$999,199	$463,831	$88,415
2020	$18,938,682	$1,749,091	$514,093	$559,573

OPERATING REVENUES & EXPENSES (CONT'D)



	Salaries & Wages	Fringe Benefits	Other Operating	Depreciation	Non Operating
2022	$4,819,836	$715,497	$7,344,838	$6,729,223	$1,229,606
2021	$4,717,599	$1,766,043	$7,223,703	$6,559,739	$729,021
2020	$4,843,806	$2,199,027	$6,755,971	$6,499,625	$743,255

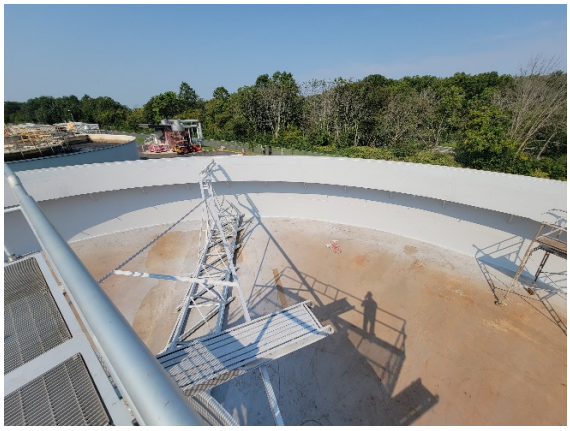
Due to a GASB 68 Pension Fringe Benefits were adjusted. The Unadjusted Fringe Benefits spending for FY22 was $2,076,000.



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

In 2015, the United States Environmental Protection Agency (USEPA) issued its sixth "Drinking Water Infrastructure Needs Survey and Assessment" report to Congress. This report estimated that water systems in New Jersey would require an investment of nearly $8.6 billion within the next 20 years in order to continue providing safe drinking water to the public. In addition, the 2020 American Society of Civil Engineers (ASCE) Infrastructure's report, "The Economic Benefits of Investing in Water Infrastructure", estimated that "nationally the investment in maintaining water & wastewater infrastructure fell $81 billion dollars short of the capital need". This report also mentioned the economic impact that our current COVID health crisis could have and states "In the coming months and years, public officials at every level of government will consider policies and investments to jump start economic recovery. Investment in the nation's aging water infrastructure can start a new era of job creation and economic growth while protecting public health and improving the quality of life for families across the United States." It has been previously estimated that New Jersey's drinking water and wastewater infrastructures would need $26.1 billion of improvements over the upcoming 20 years.

These are significant dollars by any measure and point out the fact that water and wastewater infrastructure is extremely expensive to build and maintain. Particularly worth noting is the fact that many of the capital assets owned by an Authority are very often underground or otherwise out of view from the vast majority of the public. Underground piping, pumping stations, valves, water and sewer mains, interconnections, control panels, computers, and many other appurtenances and components continue to do their jobs around the clock, without being seen. Above ground, many capital asset facilities are placed in unobtrusive settings, such as fenced areas concealed with natural plantings, remote locations, business, or industrial parks, etc.



Prepping for Painting Finished Project
Repainting of the Primary Clarifiers at the HRWPCF

USEPA has provided this definition regarding asset management: "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 Asset Management Program (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.

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

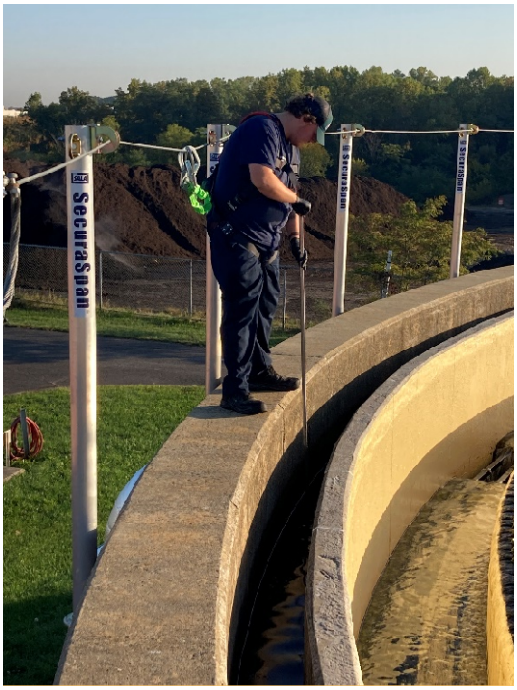
Because the Authority has invested approximately $250 million in its infrastructure and keeping in mind the staggering estimated amounts mentioned above, the Authority has incorporated asset management concepts into its operation and the development of its AMP. Key employees of the Authority have participated on the American Water Works Association (AWWA) New Jersey section's Infrastructure Management Committee beginning in 2010 and on the New Jersey Department of Environmental Protection's (NJDEP) Asset Management Industry Working Group since 2014 in developing asset management procedures for use at water and wastewater facilities in New Jersey. NJDEP issued its Asset Management Technical Guidance document which was developed to follow USEPA's original guidance. The Authority has implemented all tenets of Asset Management within its operation and management.

The Water Quality Accountability Act (WQAA) was signed by Gov. Christie in July 2017 with an effective date of October 19, 2017. This regulatory act, as a supplement to the Safe Drinking Water Act, applies to approximately 300 public water systems in New Jersey. The WQAA has multiple requirements including Cybersecurity Plan implementation, hydrant and valve maintenance timing, and the requirement for water purveyors to create and implement an asset management plan designed to inspect, maintain, repair and renew its infrastructure consistent with standards established by the American Water Works Association. The Authority has reviewed its policies including cybersecurity, modified some operating procedures in its O&M plans, and amended its goals to comply with the WQAA.

During FY22, the Authority recorded approximately $5 million in capital assets. By including retainage and other pre/post fiscal year adjustments, the capital additions were as follows:

Asset	Amount Dispersed in FY 22
Hartford Rd Wastewater Treatment Facility (HRWPCF) Rehabilitation	
* Replace Gas Detector Grit Building	$3,760
*Rehab Utility Water Booster Pumps	$10,340
*Lighting Replacement	$22,218
*Heat Tracing & Piping Insulation	$43,562
*Tank Repairs	$176,624
*Repaint Primary Clarifiers	$368,277
Replace Grit Scrubber Component	$1,386
Replace Output Card & Battery for Press Control Panel	$5,082
Replace AC System Vehicle Maintenance Building	$9,200
Replace Grinder for Sludge Transfer Building	$10,344
Repair/Replace Orbal Pumps	$11,180
Repair/Replace/Rehab Blower Motors	$11,836
Replace – WAS Pump # 2	$13,058
Replace – Primary Sludge Pump # 1	$15,525
Replace Safety Disconnect Orbal Aerator	$18,517
Rehab UV3000 Disinfection system Ballast, Lamps, & Sleeves	$39,191
Rehab Headworks Comminutor A	$48,155
Repair/Replace/Rehab Sludge Dewatering Press # 3	$64,847
**Sludge Dewatering Rehab	$56,723

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



New Anti-Fall Safety System at the HRWPCF Secondary Clarifiers, Tank Repairs Project

Asset	Amount Dispersed in FY 22
Sanitary Sewer Pump Station Rehabilitation	
*Site Improvements of PS (Timbercrest, E Park, & Ethel Lawrence)	$30,632
Replace Transducers for Various PS	$4,210
Replace Generator Automatic Transfer Switch Laurelwood PS	$5,778
Replace Pump Stands for Timbercrest PS	$6,800
Replace Ladder for Lakes PS	$7,340
Rebuild Motors/Pumps/Valves (HVE, Masons Creek, Birchfield, Wieland, Rancocas Pt)	$20,159
Replace Piping in Wet Well at Briggs Rd PS	$34,187
Paint Sewer Pump Stations (Devonshire, Lakes, Millstream)	$65,411
** Replace Valves Ramblewood PS	$7,700
**Replace/Line Sewer Mains	$13,290
** Replace Emergency Generator Ramblewood PS	$26,989
** Upgrade Devonshire PS	$226,720
** Upgrade Atrium PS & Hooton PS	$640,109
Sanitary Sewer Force Main Repairs and Replacements	
*Devonshire FM Connection (hauling)	$13,773
Install (2) FM Flushing Connections (Beaver Rd & Oregon Ave)	$30,999
**Air Relief Valve/Pike Rd Meter Vault	$2,052
** Secondary Force Main Air Release Valve Repair/Replacement	$7,265
**Replace part of Library Force Main	$79,404
** Sewer Master Plan	$223,130
**Remove & Redirect Union Mill Farms FM Connection	$356,028

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

Preparing for Valve Work at the Ramblewood PS

Asset	Amount Dispersed in FY 22
Elbo Lane Water Treatment Plant	
Security Upgrade/Replacement	$3,333
Replace Valves/Actuators for Filters	$34,863
Replace Pump & Motors	$109,350
**Replace HVAC Units	$23,279
Water Main Replacements	
Replace Tamper for Water Distribution	$2,909
Fire Hydrant Parts & Tools Replacements	$5,496
Fire Hydrant Replacements	$37,380
** Chapel Hill Rd & Trefoil Terrace	$27,908
** East Saint Andrews Drive	$496,242

Pavement Restoration Associated with the East Saint Andrews Drive Water Main Replacement Project

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

Asset	Amount Dispersed in FY 22
Wells and Booster Stations	
*Well #7 Redevelopment	$113,933
*Rehab & Paint Church Street Tank	$343,931
Replace AC Unit Well # 6 Building	$2,402
Replace RTU Box for SCADA Communication Nixon Dr.	$3,437
Ladders & Platforms Inspection Commerce Tank	$5,664

Rehabilitation of the 1 Million Gallon Church St Water Storage Tank

Water Meter Reading	
Replace Meter Reading Equipment Handhelds & Chargers	$18,158
**Meter Change Outs & New Meter Installs	$566,396
Vehicle New/Replacements	
Replace Tires Backhoe Vehicle 99	$1,934
Replacement Hoses for Vehicle 67 (Jetter)	$2,848
Vehicle 62	$40,868
Vehicle 37	$48,560
Vehicle 49	$67,619
Vehicle 51	$91,554

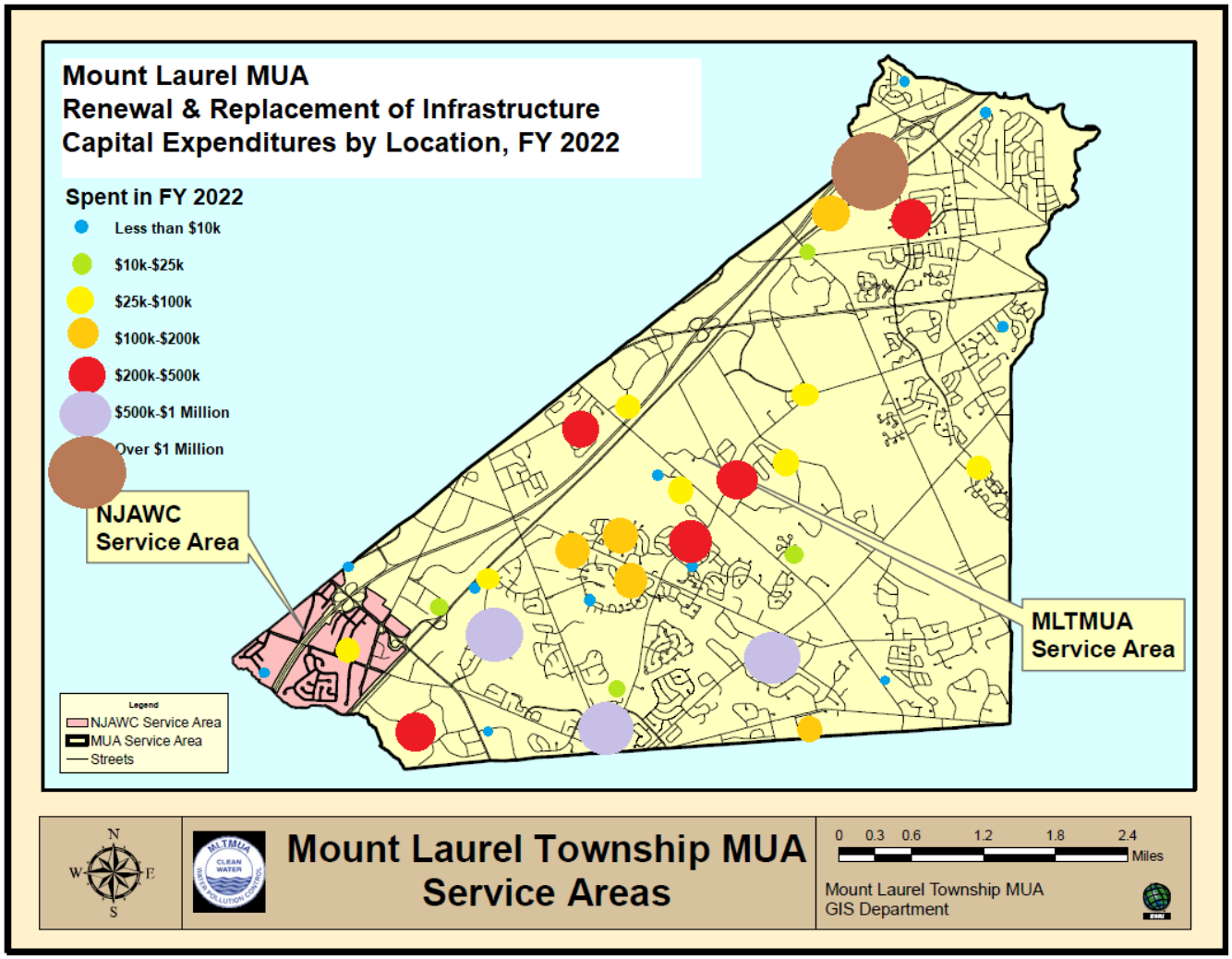
Replacement Vehicle 49

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

Asset	Amount Dispersed in FY 22
Laboratory	
Replace DI Water Polisher for Main Lab	$5,840
Replace Ion Chromatograph for Main Lab	$29,843
**WIMS System for Main Lab	$25,638
Miscellaneous	
* Doors and Windows Upgrade Various Locations	$116,803
Computer Upgrades Hardware & Software	$4,691
Replace Furnace Unit #3 Administration Building	$4,871
Replace Copier Administration Building	$5,750
**New Software Development/Programming	$23,450

** Multi-Year Project Completed this Fiscal Year*

*** Project Continuing into Subsequent Year(s)*



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

Our five-year capital plan calls for the expenditure of $52,011,835 with $15,008,585 budgeted for the upcoming fiscal year. The Authority plans to fund these amounts in the following manner:

	Five-Year Plan	Upcoming Fiscal Year
Projects funded from Unrestricted Net Position (including reserves for renewal and replacement)	$ 36,591,351	$8,471,501
Debt Authorization	$ 15,420,484	$6,537,084

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 February 2019, the Authority closed on a bond issue in the principal amount of $3,400,000. Proceeds from this issue reimbursed monies previously expended by the Authority to replace a large section of our primary sewer force main along Hartford Road. Interest rates on this bond issue range between 3% and 5%, with the final principal payment scheduled for February 2049. It should be noted that the Authority received an excellent AA credit rating from Standard and Poor's while completing this financing. More significantly, and in spite of protections enjoyed through a Service Agreement provided by Mount Laurel Township, Standard and Poor's informed the Authority this rating was earned on the Authority's own merits due to strong operational and financial management practices.

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.

OUR MISSION

The New Jersey Infrastructure Bank is an independent State Financing Authority responsible for providing and administering low interest rate loans to qualified municipalities, counties, regional authorities, and water purveyors in New Jersey for the purpose of financing water quality infrastructure projects that enhance ground and surface water resources, ensure the safety of drinking water supplies, protect the public health and make possible responsible and sustainable economic development.

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 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.

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

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 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.

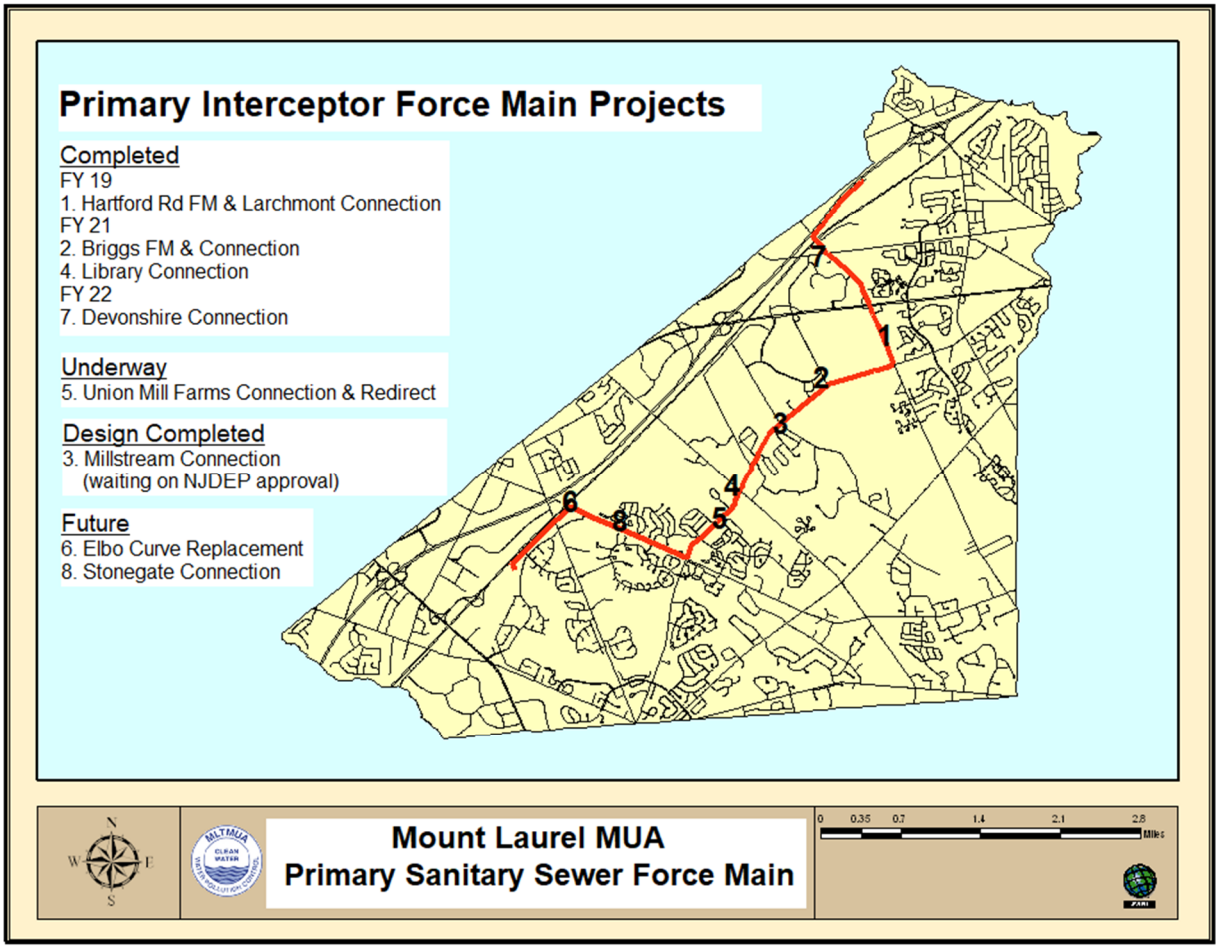
In May 2003, the Authority refunded debt. In doing this, the Authority replaced the outstanding principal balances of its 1992 and 1994 bond issues with the 2003 bond issue. All bonds under the new issue will mature no later than the bonds on the refunded issues. By taking advantage of a very favorable 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.

LOOKING FORWARD

The Authority continues to pursue and investigate alternative sources of water to meet user demand. Currently, the Authority must purchase from outside water purveyors in order to make up the difference between its user demand and its permitted withdrawal from its supply wells. 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.

As part of the Authority's Asset Management Program, we have continually rehabilitated parts of our sanitary force main system. We have been analyzing and implementing options to replace or rehabilitate sections of this 50-year-old system due to sections of it prematurely reaching the end of their useful life. We continually reprioritize our primary, secondary, and tertiary force main projects utilizing probability and consequence of failure along with coordinating with Mount Laurel Township, Burlington County and NJDOT road programs, along with new development projects in the town. The map depicts projects located on the primary force main only.

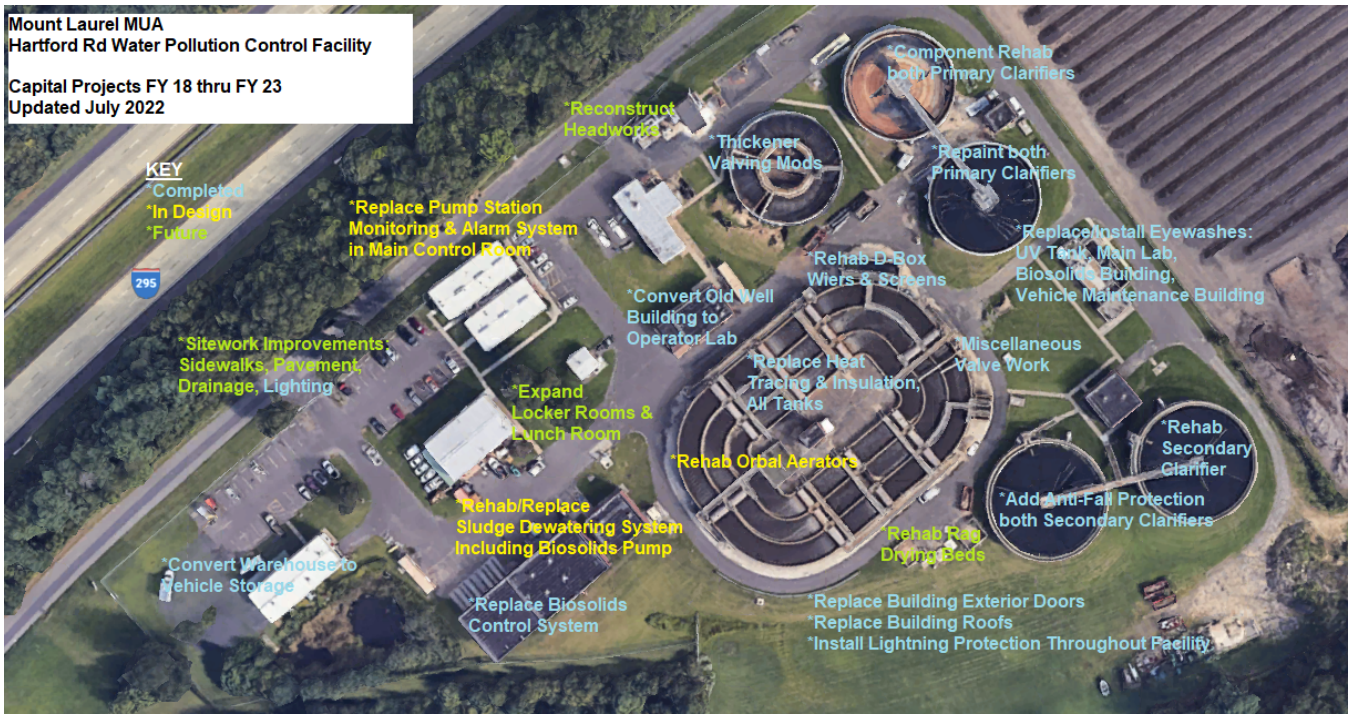
LOOKING FORWARD (CONT'D)



The Authority is issuing debt via the I-Bank for several force main replacement projects, as well as other capital projects at its Hartford Road Water Pollution Control Facility and pump stations. In August 2019, the Authority closed on a $7.2 million note and in August 2022 a $3.2 million note, both through the I-Bank which will be drawn against to reimburse the Authority for monies expended on these and other specified projects. Ultimately, a long-term bond issue will occur to retire these notes.

The Hartford Road Water Pollution Control Facility, which was substantially upgraded and expanded in 1996, has a planned renewal of components of its main process units to ensure continued successful operations. Part of this work, the replacement of the primary mechanism of a clarifier, was completed in FY16 due to premature failure. The remaining process unit work has been included in our capital plan for work through FY 23, additional work is planned and in design as well. As discussed above, much of this work is being funded through the I-Bank.

LOOKING FORWARD (CONT'D)



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.