Management's Discussion and Analysis
(MD&A)

GOING GREEN

In 2010, the Authority constructed a half megawatt solar electric generating facility at its Ramblewood Parkway location. The solar facility generates enough electricity each year to power a potable water well and sanitary sewer pump station at this location. The 2 ½ acre facility is comprised of 2,254 solar panels and two inverters, and is capable of generating enough electricity to supply 130 homes annually. As an economic benefit, this solar facility results in the elimination of approximately $100,000 in annual electric expense currently being billed by PSE&G. Financing for the solar facility was obtained through the NJ Environmental Infrastructure Trust, with 50% of the $3.6 million project loan forgiven as part of the American Recovery and Reinvestment Act (ARRA). The electrical generation capacity of this facility has also been registered with the NJ Clean Energy Program, allowing the Authority to sell solar renewable energy credits (SRECs) based on the amount of energy produced. In combination with the elimination of electricity costs, ARRA loan forgiveness and SREC program incentives will result in an estimated 8 year payback for the project. The expected life of the solar voltaic system is more than 20 years.

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, after deducting operating expenses, are at least equal to 110% of its annual debt service. This is referred to as cover. For fiscal year (FY) 2011, the Authority generated a 146% cover. Key financial highlights for the Authority's FY2011 include:

- Service charges increased dramatically over FY2010, as very hot summers in 2010 and 2011 drove up water demand for irrigation and domestic consumption. Connection fee income decreased significantly during the same period. Other operating revenues increased by over $300,000 compared to FY2010, due to the Authority beginning the sale of its SRECs (see Going Green, above). Overall, total operating revenues increased by nearly $1.9 million compared to FY2010.
- Consumer accounts receivable of $3.67 million exceeded FY2010 consumer accounts receivable of $3.36 million.

FINANCIAL HIGHLIGHTS (CONT'D)

- Interest earnings declined to $224,500, down from $604,600 in FY2010.
- Total liabilities decreased from $44.80 million in FY2010 to $40.20 million in FY2011.
- At year-end, total assets were $144.02 million, which exceeded liabilities of $40.20 million. The resultant net assets at year-end were $103.82 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 $144,020,953.18 on June 30, 2011. Total assets, total liabilities and total net assets are detailed below.

Mount Laurel MUA
Net Assets
As of June 30,

	2011	2010	2009
Current Assets	$ 26,708,665.15	$ 27,286,917.41	$ 27,064,709.38
Capital Assets	116,761,281.53	119,519,897.11	117,841,286.27
Other Assets	551,006.50	616,829.27	601,393.01
Total Assets	**144,020,953.18**	**147,423,643.79**	**145,507,388.66**
Current Liabilities	8,431,447.75	8,948,040.83	10,132,132.81
Long-Term Liabilities	31,772,753.54	35,854,675.20	36,157,388.04
Total Liabilities	**40,204,201.29**	**44,802,716.03**	**46,289,520.85**
Net Assets			
Invested in capital assets,			
net of related debt	82,444,031.23	81,962,801.33	78,930,553.59
Restricted	7,468,436.59	5,455,436.99	8,030,080.04
Unrestricted	13,904,284.07	15,202,689.44	12,257,234.18
Total Net Assets	**$ 103,816,751.89**	**$ 102,620,927.76**	**$ 99,217,867.81**

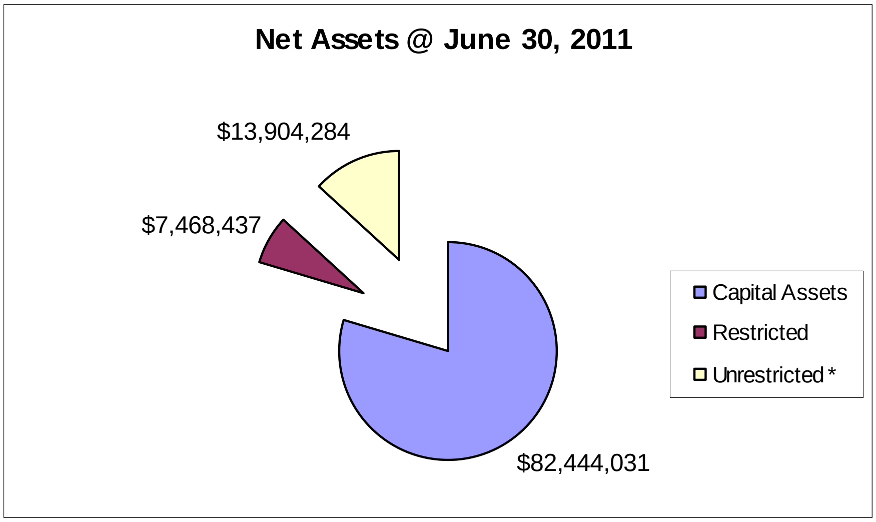
The Authority realized operating income of $1,852,960.62 for the current year. When combined with a loss from non-operating activities, the Authority's income before capital contributions was $621,339.53. During fiscal year 2011, the Authority received capital contributions in the amount of $574,484.60. The combined effect resulted in the Authority's net assets increasing by $1,195,824.13. Major components of this activity follow.

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

Mount Laurel MUA
Revenues, Expenses and Net Assets
As of June 30,

	2011	2010	2009
Operating Revenues			
Service Charges	$ 18,386,217.74	$ 16,608,910.73	$ 16,559,304.06
Connection fees	286,187.56	508,826.25	748,007.33
Other operating revenues	603,364.42	279,609.04	427,518.52
	19,275,769.72	17,397,346.02	17,734,829.91
Operating Expenses	11,957,631.77	11,969,815.52	12,711,138.24
Depreciation expense	5,465,177.33	5,101,214.79	4,934,891.69
Operating Income (Loss)	1,852,960.62	326,315.71	88,799.98
Non-operating Revenues (Expenses)			
Investment Income	224,535.64	604,569.52	1,395,254.84
Interest on debt	(986,149.91)	(1,067,044.08)	(1,273,827.93)
Amortization of bond issue costs	(65,822.77)	(69,245.74)	(60,539.20)
Loss on disposal of capital assets	(4,184.05)		(335,369.61)
Contribution to Mount Laurel Township	(400,000.00)	(400,000.00)	
Income (Loss) Before Contributions	621,339.53	(605,404.59)	(185,681.92)
Capital Contributions	574,484.60	3,704,430.41	4,420,919.35
Increase (Decrease) in Net Assets	1,195,824.13	3,099,025.82	4,235,237.43
Net Assets – July 1 (Previously reported)		99,217,867.81	94,982,630.38
Prior period adjustment (see Note 2)		304,034.13	
Net Assets - July 1 (Restated)	102,620,927.76	99,521,901.94	94,982,630.38
Change in Net Assets	1,195,824.13	3,099,025.82	4,235,237.43
Net Assets – June 30	$ 103,816,751.89	$ 102,620,927.76	$ 99,217,867.81

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 increased significantly when compared to the previous year. Because of very hot summer seasons in 2010 and 2011, water demand from the Authority's service area rose sharply. Nearly 195 million gallons of additional water were delivered to service in FY2011 compared to FY2010. A rate increase also went into effect with the February 2011 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 $286,200, a substantial drop from fiscal year 2010 revenues of $508,800. This was an ongoing indicator of the overall economy, as developers either slowed down or scaled back their activities. 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 dramatically compared to fiscal year 2010. 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, which experienced increases in value as markets weakened, and investors shifted their focus to more stable investments.

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

Overall, the Authority's fiscal activity yielded desirable results for the year. Three major sources of revenue generated an aggregate increase of $1,878,400 over the previous year. Of these sources, service charges were $1.78 million higher in FY2011, as explained previously in this MD&A. Other operating revenues increased by over $320,000, largely a result of the sale of SRECs. Reduced revenues from connection fees were the only negative within these revenue sources, falling $222,600 short of FY2010 amounts. The reasons for the downturn in connection fees have been previously addressed in this MD&A. Regarding expenses, the Authority continued its aggressive pursuit of reducing / containing costs. Total operating expenses, net of depreciation, decreased for the third straight year. Since FY2008 (July 2007 – June 2008), the Authority has reduced operating expenses by $1.55 million, or 12%. 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 24 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 2011 was formulated prior to April 2010, certain actual events during the year necessitated amending the budget. The Authority approved this budget amendment in June 2011. 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 $16.74 million but were amended to $18.10 million. The primary reason for this was a dramatic increase in the amount of water delivered to service during the fiscal year. This was primarily the result of very hot summers on 2010 and 2011, which led to increased water demand for irrigation and domestic use. The Authority delivered nearly 195 million more gallons of water to service in FY2011 compared to FY2010. Actual service charge revenue for the year amounted to $18.39 million.

The original budget for investment income was amended from $599,600 to $260,100. This line item is traditionally budgeted very conservatively. Interest markets can fluctuate significantly throughout the course of a fiscal year, thereby having a significant effect on results. Although large fluctuations did not occur during the year, the original budget was formulated based on the belief that interest rates would rebound and improve throughout the year. Also, the Authority changed its banking relationship during the year. Its former bank gave notice that they would be abandoning their long time government banking model, which used compensating balances to offset bank service charges and pay interest to the Authority. Because of these factors, the budget line had to be amended downward. Actual interest income for the year totaled $224,500.

OPERATING EXPENSES

The Authority's operating expenses for fiscal year 2011 (net of depreciation) were essentially unchanged compared to FY2010, dropping by $12,000. This marks the third straight year operating expenses have been reduced. In the aggregate, over $1.55 million in expenses were reduced during that period of time. Discussion follows on select line items during FY2011.

Salaries and Wages expense was reduced by over $175,000 in FY2011. Unionized and non union employees received no wage increases in FY2011. In FY2010, the Authority was obligated to honor a mid year wage contractual wage increase for unionized personnel, while no increases were received by non union employees. Another factor contributing to the control of this expense was a continued hiring freeze, resulting in the work load of departing personnel being absorbed through attrition. 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 expense for this line item totaled $3.67 million, compared with last year's $3.85 million. Originally, the budget for this expense was set at $3.786 million, amended to $3.784 million, indicating that actual expense through the year remained largely as expected.

Fringe Benefits exceeded the prior year by $183,900. Two major fringe benefit line items, the Public Employee's Retirement System (PERS) and Group Medical Insurance account for the majority of this increase. The Authority's PERS contribution increased over the prior year by $88,900. This contribution is determined by the state of New Jersey. The Authority moved its group medical insurance to the New Jersey State Health Benefits Plan (SHBP) in order to avoid a significant renewal premium with its existing carrier late in FY2010, but still paid 10% more in premiums with the new CY2011 SHBP rates. This resulted in an increase of nearly $88,000 compared to FY2010.

Electricity costs decreased in the current year, falling from $1.39 million in fiscal year 2010 to $1.17 million in FY2011. During the year, fewer significant storm events and prolonged wet periods were encountered than in FY2010, when increased volume at pump stations and treatment plants forced pumps to run longer than normal. As a result, the Authority realized major cost savings while operating its pumps less. 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 a strong emphasis on fuel economy. Meanwhile, the Authority continues to strive for energy efficiency while searching for ways to decrease its energy costs. In May 2010, the Authority entered into a two year, third party supply contract for its electricity needs. This contract was expected to reduce electric costs by approximately $140,000 per year. With a full year of savings under this contract in FY2011, those expectations were realized. In June, 2010, the Authority began operating under solar power at its Ramblewood Parkway facility. The Authority's overall electric expense at this facility dropped by approximately $25,000 in FY2011.

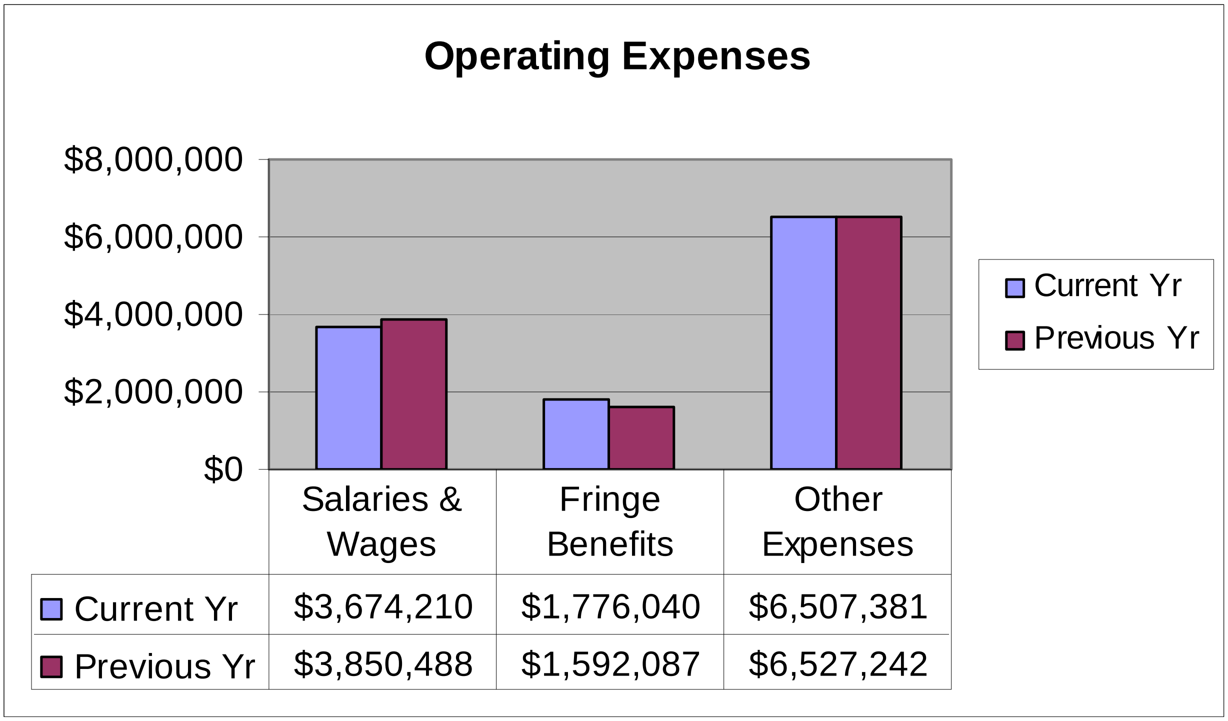
OPERATING EXPENSES (CONT'D)

The purchase of water from outside purveyors increased dramatically in FY2011. As noted previously in this MD&A, very hot summers in 2010 and 2011 resulted in the Authority delivering nearly 195 million more gallons of water to service. 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 60% (about 960 million gallons) of Mount Laurel's water demand was purchased from these purveyors. Last year these purveyors provided 50% (about 700 million gallons) of Mount Laurel's water supply. These factors required an increase of $175,900 in this budget line item, to $2.76 million. Actual expenses were $2.42 million, up $484,800 when compared to FY2010. The Authority continues to seek alternative, less expensive ways to provide water to its service area.

Chemical expense overall decreased significantly when compared to the prior year. Total actual costs were $486,200 compared to $585,100; a decrease of $98,900. The majority of this was due to a decrease in the purchase of odor control chemicals. 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, a less expensive chemical, bioxide, was introduced into the system during the previous fiscal year. The Authority's operational staff worked exhaustively to fine tune feed rates of bioxide and has found a better balance of these two chemicals, which has allowed it to reduce the overall purchase of peroxide. For its labors, the Authority was rewarded with a reduction of over $87,600 in the purchase of odor control chemicals. The Authority expects bioxide to produce less corrosive gases in sanitary pipes, pump stations and its treatment plant. 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. Caustic Soda expense increased by nearly $23,000 due to two factors; treatment of 110 million gallons of additional water recovered from the Authority's Aquifer Storage and Recovery well accounted for the majority of the increase. Also, natural fluctuations in the pH levels of the Authority's raw water resulted in higher caustic soda usage. Year over year changes in fiscal year end chemical inventory valuations account for the remaining difference in this line item.

Bio-Solids expense decreased $21,200 compared to the prior year, from $560,700 to $539,500. Nearly 6,900 tons of bio-solids were removed from the Authority's Hartford Road Water Pollution Control Facility during the fiscal year, down from 7,000 tons during the previous period. Hauling and tipping fees for this 100 fewer tons / 16 dumpsters constitute the decrease in expense.

OPERATING EXPENSES (CONT'D)



CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Authority has constructed a half megawatt solar electric generating facility at its Ramblewood Parkway location. The solar facility will generate enough electricity each year to power a potable water well and sanitary sewer pump station at this location. The 2 ½ acre facility is comprised of 2,254 solar panels and two inverters and is capable of generating enough electricity to supply 130 homes annually. Financing for the solar facility was obtained through the NJ Environmental Infrastructure Trust, with 50% of the $3.6 million project loan forgiven as part of the American Recovery and Reinvestment Act (ARRA). The electrical generation capacity of this facility has also been registered with the NJ Clean Energy Program, allowing the Authority to sell solar renewable energy credits (SRECs) based on the amount of energy produced. In combination with the elimination of electricity costs, ARRA loan forgiveness and SREC program incentives will result in an estimated 8 year payback for the project. The expected life of the solar voltaic system is more than 20 years.

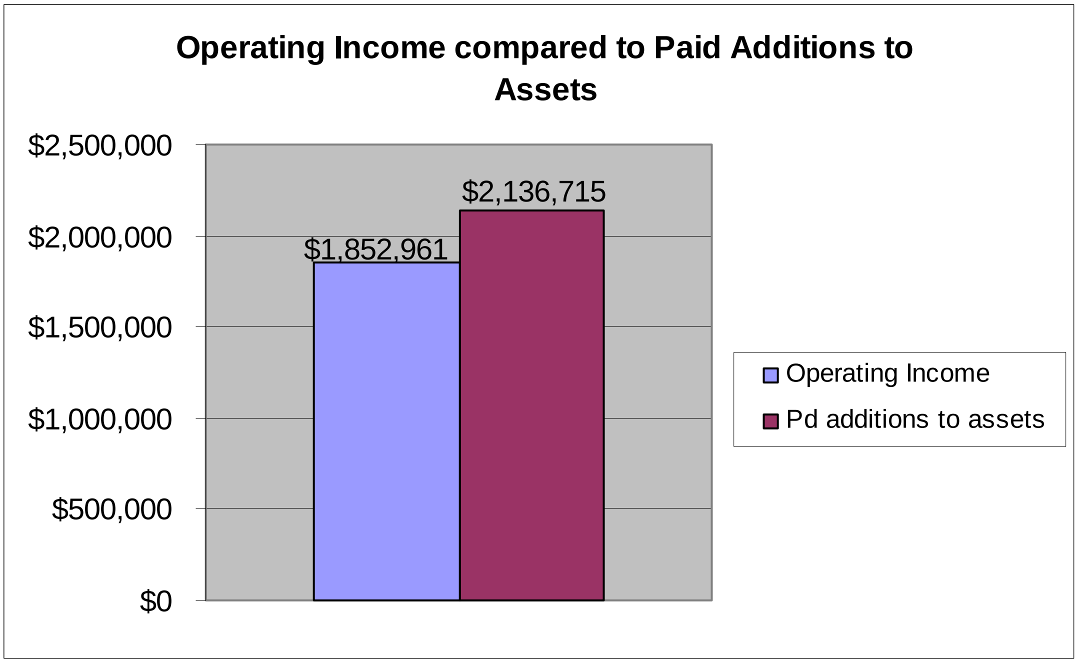
During the current year, the Authority disbursed $2.13 million for capital assets. By including retainage and other pre / post year adjustments, the more significant capital additions were as follows:

Asset	Amount disbursed
Photovoltaic Solar Installation	$ 118,929
Meter Reading Hand Held Equipment & Charges	$ 14,908
Hydrant Replacement	$ 6,791
Meter Change Out Program	$ 86,621
Water Storage Tank Rehab – Commerce Parkway	$ 7,429

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

Asset	Amount disbursed
Redevelopment Wells & Rehab Pumps @ Well #7	$ 166,394
Water System Meter Analysis & Correction	$ 9,169
Watermain Replacement – Sumac Ct., Ashby Ct., Union Mill Rd/ Malvern Ct.	$ 136,878
Power Equipment for Vehicle Maintenance Department	$ 7,854
Parker Creek Outfall Line Rehab (Sewer)	$ 12,509
Replacement of HVAC System @ HRWPCF	$ 9,508
Rebuild RAS Pumps 1, 2, & 3	$ 8,315
Replace/Rehab/Reline Sewer Main Ramblewood & Devonshire	$ 641,994
Belt Filter Press Polymer System Replacement	$ 16,995
Valve Replacement for Willingboro Interconnection	$ 24,924
ASR Well # 7 SCADA System Installation	$ 58,918
Building Upgrade Well # 3	$ 54,288
Televising of Sewer Mains	$ 34,867
Watermain Replacement – Buckingham Way	$ 19,371
Watermain Replacement – Carlisle Court	$ 180,563
Elbo Lane WTP – Chlorine Contact Chamber Repair	$ 305,871
Parker Creek Watermain Replacement	$ 71,226
Analyze Pumping Characteristics of Pumping Stations	$ 14,424
Rehab Pumping Stations Response to Study	$ 51,433
Rebuild Motors / Pumps at Pumping Stations	$ 21,099
Power Winch for Tricia Meadows, Laurel Ponds Bridlewood Pumping Stations	$ 6,535
Replace Pump # 1 at Birchfield Pumping Station	$ 21,410
Replace Bearings for Belt Filter Press #3 at HRWPCF	$ 6,643

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



The above chart demonstrates the Authority's commitment to keeping its systems and infrastructures current and well maintained. The Authority continues to maintain a proactive maintenance philosophy of its capital facilities. Additionally, we remain committed to an aggressive capital program. Our five-year capital plan calls for the expenditure of $17,588,450 with $3,336,150 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)	$ 17,563,450	$ 3,331,150
Debt Authorization	$ 25,000	$ 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.

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.

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.

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.

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 is due in 2011.

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.