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 coverage. For fiscal year 2014 (FY14, July 2013 – June 2014), the Authority generated a 240% coverage. This was largely due to debt service dropping by over $1.1 million from the prior fiscal year due to the expiration of a 1994 bond issue during FY14. To illustrate the impact this reduced debt service had, the Authority would have had a 169% coverage had the debt service not been reduced. Key financial highlights for FY14 include:

- Service charges dropped significantly, decreasing $1.8 million compared to those of fiscal year 2013 (FY13). Connection fees increased dramatically as a result of several large residential and commercial projects tying into the Authority's water and/or sewer infrastructure. Other operating revenues returned to near normal levels, while investment income continued to erode due to persistently low rates of return in the investment markets. Total operating revenues dropped by 5.9%, primarily due to a decrease in service charges that exceeded 9%. Strong connection fee revenues served to offset the overall impact of these decreased service charges.
- Consumer accounts receivable of $3.626 million reflects a drop of nearly $490,000 when compared to FY13 consumer accounts receivable of $4.114 million.

- Investment income declined to $148,900, down from $172,400 in FY13.
- Interest on debt dropped over 25%, from $729,000 in FY13 to $543,200 in FY14.
- Total debt service, including principal and interest, decreased by over $1.1 million.
- Total liabilities decreased from $29.56 million in FY13 to $26.58 million in FY14.
- At year-end, total assets were $138.05 million, which exceeded total deferred outflows of resources, total liabilities and total deferred inflows of resources of $30.01 million. The resultant net position at year-end was $108.04 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, 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 year.

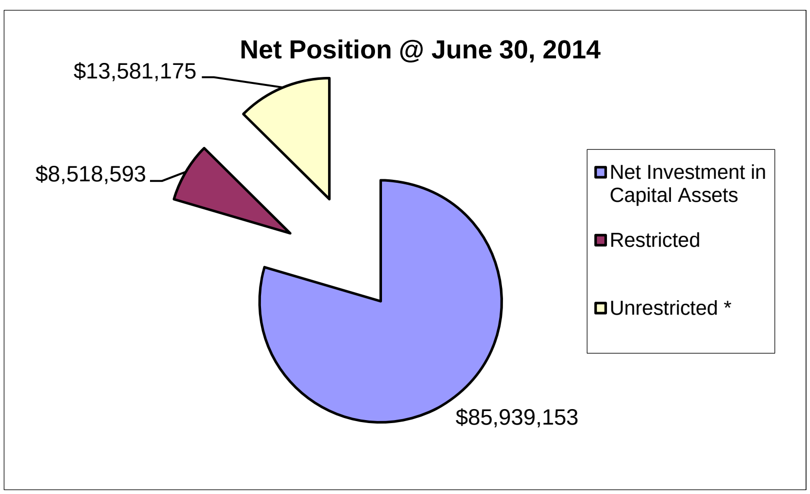
The comparative statements of cash flows provide a breakdown of the various sources of cash flow, categorized into four areas: Cash flows from operating activities, noncapital financing activities, capital and related financing activities and investing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The Authority's total assets as of June 30, 2014 were $138,054,999.56. Total assets, total deferred outflows of resources, total liabilities, total deferred inflows of resources and total net position are detailed below.

Mount Laurel MUA
Net Position
As of June 30,

	2014	2013	2012
Current Assets	$ 27,112,165.97	$ 26,289,205.65	$ 25,167,841.44
Capital Assets	110,942,833.59	112,930,864.32	115,395,090.30
Total Assets	**138,054,999.56**	**139,220,069.97**	**140,562,931.74**
Total Deferred Inflows of Resources	**60,732.83**	**-**	**-**
Current Liabilities	4,725,234.98	5,146,491.15	5,322,818.45
Long-Term Liabilities	21,852,073.57	24,412,752.55	28,290,093.68
Total Liabilities	**26,577,308.55**	**29,559,243.70**	**33,612,912.13**
Total Deferred Inflows of Resources	**3,499,503.34**	**2,732,840.39**	**2,148,853.02**
Net Position			
Net Investment in Capital Assets	85,939,152.89	85,144,381.65	84,415,594.80
Restricted	8,518,592.58	7,407,192.86	7,380,560.76
Unrestricted	13,581,175.03	14,376,411.37	13,005,011.03
Total Net Position	**$ 108,038,920.50**	**$ 106,927,985.88**	**$ 104,801,166.59**



* 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.

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

More information concerning the use of these funds can be found later in this MD&A, under the "Operating Income compared to Paid Additions to Assets" graph within the Asset Management, Capital Asset, and Long-Term Debt Activity section.

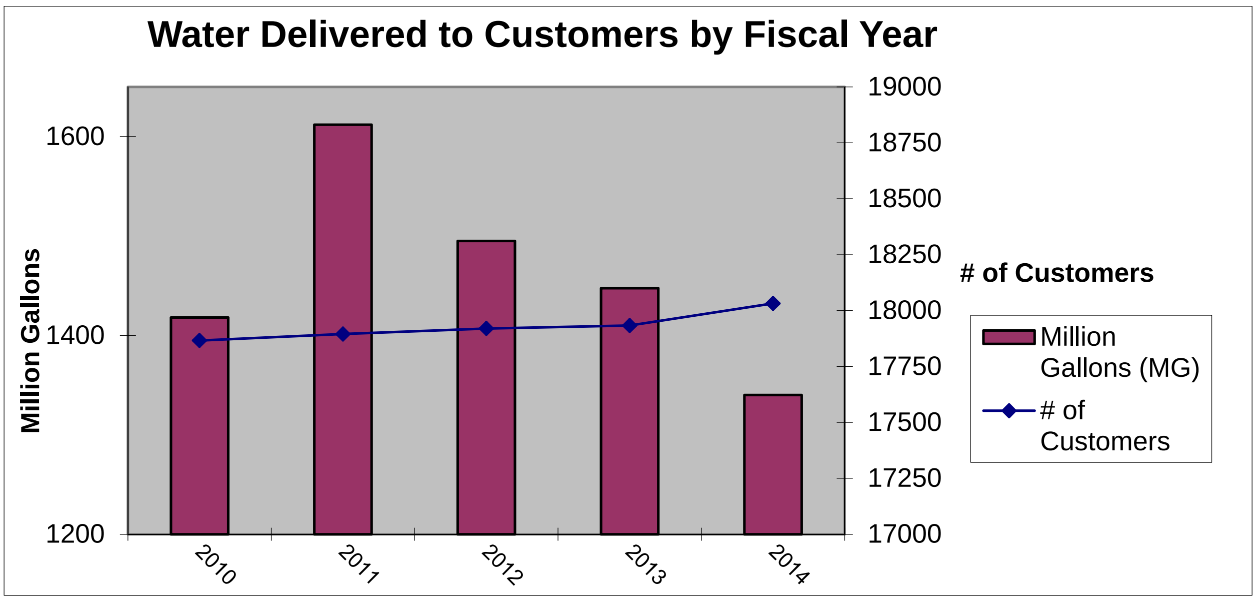
The Authority realized operating income of $1,132,761.30 for the current year. When offset by a loss from non-operating activities, the Authority's income before capital contributions was $137,054.55. During FY14, the Authority received capital contributions in the amount of $973,880.07. The combined effect resulted in the Authority's net position increasing by $1,110,934.62. Major components of this activity follow.

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

	2014	**2013**	**2012**
Utility Service Charges	$ 17,726,907.56	$ 19,603,512.00	$ 18,503,996.59
Connection Fees	1,031,044.23	288,906.90	299,482.60
Other Operating Revenues	437,225.03	499,736.88	334,983.80
Total operating revenues	**19,195,176.82**	**20,392,155.78**	**19,138,462.99**
Operating Expenses	12,363,585.51	12,189,537.37	12,184,033.37
Depreciation expense	5,698,830.01	5,466,195.72	5,263,844.42
Operating Income	**1,132,761.30**	**2,736,422.69**	**1,690,585.20**
Non-operating Revenues (Expenses)			
Investment Income	148,854.91	172,440.18	204,068.87
Interest on debt	(543,236.41)	(728,969.83)	(855,766.54)
Loss on disposal of capital assets	(22,935.25)	(284,082.90)	(1,135.81)
Cancellation of prior year receivable			(112,153.37)
Contribution to Mount Laurel Township	(578,390.00)	(586,000.00)	(586,000.00)
Income before contributions	**137,054.55**	**1,309,810.14**	**339,598.35**
Capital contributions	973,880.07	817,009.15	1,195,822.85
Increase in Net Position	**1,110,934.62**	**2,126,819.29**	**1,535,421.20**
Net Position - July 1	106,927,985.88	104,801,166.59	103,265,745.39
Change in Net Position	1,110,934.62	2,126,819.29	1,535,421.20
Net Position - June 30	**$ 108,038,920.50**	**$ 106,927,985.88**	**$ 104,801,166.59**

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

Service charges decreased sharply in FY14 when compared to the previous year. The primary reason for this was a significant drop in the amount of water the Authority delivered to service during the fiscal year. In FY14, the Authority's delivery of water to service reached its lowest level since calendar year 1999. A temperate summer of 2013 resulted in a large drop in water demand during the lawn irrigation season. The revenue lost from the lower water demand is significant because higher demand typically pushes billings into the second and third tier of water rates, which are considerably higher than our first tier rate. Because sewer revenues are generated based on the amount of water consumed, a decrease in water demand also had a negative impact on this component of revenue. Another contributing factor to lower demand is the use of water efficient fixtures in new construction and remodels. Finally, because of the reduced water demand at the end of FY14, accruals for fiscal year end billings were approximately $300,000 lower than the prior year. 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, public and industrial customers. The rate structure is stable and includes rate increases that were implemented with each year's February billings from 2008 through 2013.



Connection fee revenues saw a substantial increase over the previous fiscal year. Much of this increase was due to large accounts that tied into the Authority's infrastructure in FY14 originally anticipated to tie in during FY13. 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 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 for many years had a long term fiscal planning model in place that systematically reduces its dependency on connection fee revenues when projecting total annual revenue needs. This has served the Authority well.

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

Interest income declined by approximately $23,500 compared to FY13 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.

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 New Jersey, behind only 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.

The Authority's fiscal activity yielded positive results for the year, but fell short of FY13 results by slightly more than $1.0 million. The three sources of operating revenue generated an aggregate of $19.195 million, down $1.2 million (approximately 5.9%) from FY13. Decreased Service Charge revenues, discussed previously, accounted for a $1.9 million drop, year over year. Stronger than expected connection fees served to offset that lost revenue somewhat, outpacing FY13 results by nearly $750,000. Other Operating Revenues stabilized after removing the impact of two extraordinary revenue items in this category recorded in FY13. Regarding expenses, the Authority continued its aggressive pursuit of reducing / containing costs. However, a few significant and costly operational events occurred during FY14 that pushed our operating expense up by approximately $175,000 compared to FY13. Even taking this unexpected increase into account, the Authority's emphasis on cost containment has still reduced operating expenses by over $1.1 million in the seven fiscal year period of FY08 - FY14. The more significant changes in revenues and expenses are described in more detail below.

As the original budget for FY14 was formulated prior to April 2013, certain actual events during the year necessitated amending the budget. The Authority approved this budget amendment in June 2014. 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 $19.15 million but were amended to $17.96 million. As discussed previously in this MD&A, the quantity of water delivered to service dropped to level last seen in calendar year 1999. Since the Authority's water and sewer rates have a component that charges for water consumption, this decreased water delivery impacted both water and sewer revenue in a very significant way. And because the reduced water demand was still present at the end of FY14, accrued revenues at fiscal year end were lower than accruals from the same period in the prior fiscal year by approximately $300,000. Actual service charges were $17.73 million.

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

Connection fee revenue was amended from $925,700 to $1,024,900. Although there were some projects that did not tie into the Authority's water and sewer systems as expected (developers often defer or accelerate projects based on economic and other conditions), the Authority did realize approximately $120,000 of unanticipated revenue from Hilton Garden Inn and Roger's Walk (a residential community). Also, the Courtney Way (Laurel Green Development LLC) residential development tied in during the last quarter of FY14, boosting connection fee revenue for the year by over $320,000. Actual connection fee revenue was $1,031,000.

Other Operating Revenues decreased by $62,500 from FY13 levels. However, two extraordinary items of income where reflected within this revenue category in FY13. First, the Authority was able to collect an outstanding account receivable that had been previously considered stale and likely to be written off. Second, the receipt from a developer who installed a sewer line at a flatter slope than specifications called for. These two extraordinary pieces of revenue added $160,000 to Other Operating Revenues in the prior fiscal year, meaning that FY14 revenues in this category actually exceeded normal revenues from FY13 by approximately $120,000. A recovery of $49,500 in prior year tower rental payments mistakenly sent by the cellular provider to Mount Laurel Township accounts for roughly half this amount. Also, steadily increasing market rate prices for the Solar Renewable Energy Credits generated at the Authority's Ramblewood Parkway solar farm resulted in approximately $30,000 more revenue being recorded when compared to F-Y13.

OPERATING EXPENSES

The Authority's operating expenses of $12.36 million for FY14 (not including depreciation) were $174,000 higher than in FY13. This was largely due to a few significant operational events during the year, which are described more fully below.

Salaries and Wages expense increased by over $300,000 in FY14. During the fiscal year, the Authority added one employee in the Sewer Department to allow for appropriate training and efficient transition for a pending retirement scheduled to occur in FY15. There was also a major reorganization in the Operations staff that included creation of an Operations Director position. This step served to consolidate all field operations and personnel under one individual, allowing for more efficient coordination of personnel within all departments. This newly created position was filled from within.
There was also a great deal of overtime that was unexpected in the sewer department related to several major operational events. These events include three force main breaks (two of which were on the sewer treatment facility's main interceptor line), a catastrophic failure at the Stonegate Pump Station that required complete electrical component replacement of all pumping and control systems, tanking efforts required at the Hunters Pump Station due to operational problems and issues related to the installation of a new Ultra Violet disinfection system at the treatment facility to keep the existing system on line until the new system was completed. The current year's expense for all salaries and wages totaled $3.983 million, compared with last year's $3.677 million. The budget for this expense was originally set at $3.778 million but was amended to $4.016 million in response to actual costs such as those described above.

OPERATING EXPENSES (CONT'D)

Fringe Benefits exceeded the prior year by $62,500; a 3.4% increase. Two fringe benefit line items, Group Medical Insurance and Worker's Compensation Insurance account for the bulk of this increase. Group medical insurance was provided through the New Jersey State Health Benefits Plan (SHBP). Group medical insurance costs increased by $82,700 compared to the prior year, which represents an 8.2% increase in this expense category. This is a reasonable percentage considering premium increases generally seen for group insurance plans. Worker's Compensation premiums decreased by $11,500 year over year as a slight increase in the Authority's experience modification was offset (and then some) by a new Schedule Rating Credit given by the carrier, New Jersey Manufacturers. Other minor fluctuations in FICA taxes, disability and Life / Accidental Death and Dismemberment insurances account for the difference.

Electricity costs increased in the current year by $138,200. In the water department, reduced operation of the water treatment plant facility due to low water demand caused a reduction of use. In the sewer department, the 24 hours per day operation of both pumps at the Hunters Pump Station for several months because of operational problems had an adverse impact on this line item. In addition to these things, the renewal of the Authority's third party energy supply contract resulted in a nearly 20% increase in electric supply costs beginning in the second quarter of FY14. However, control of this operating expense continues to be a priority of the Authority 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. New for FY14, the Authority has enrolled in an energy curtailment program that will pay it back for its commitment to shed load if called upon.

Meanwhile, the Authority continues to strive for energy efficiency while searching for ways to decrease its energy costs. The Authority completed work 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. The Authority is pleased to have worked 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.

OPERATING EXPENSES (CONT'D)

The purchase of water from outside purveyors declined by over $390,000 in FY14. During calendar years 2013 and 2014 the MUA experienced historically low water demand. Because the water supply contract with New Jersey American Water Company (NJAWC) has very little flexibility, requiring purchase of all water volume the Authority designated, whether or not system demand called for it, the Authority purchased only what was contractually binding. Since a purchase agreement with Willingboro Municipal Utilities Authority has some flexibility to reduce the overall purchase when demand is low, the Authority reduced this purchase as much as possible in order to utilize its own (and least expensive) supply sources. Although this line item was originally budgeted at $2.90 million, and later amended to $2.49 million, actual expenses were $2.19 million.

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 57% (about 765 million gallons) of Mount Laurel's water demand was purchased from these purveyors. In FY13, these purveyors provided 64% (about 925 million gallons) of Mount Laurel's water supply. The Authority continues to seek alternative, less expensive ways to provide water to its service area.

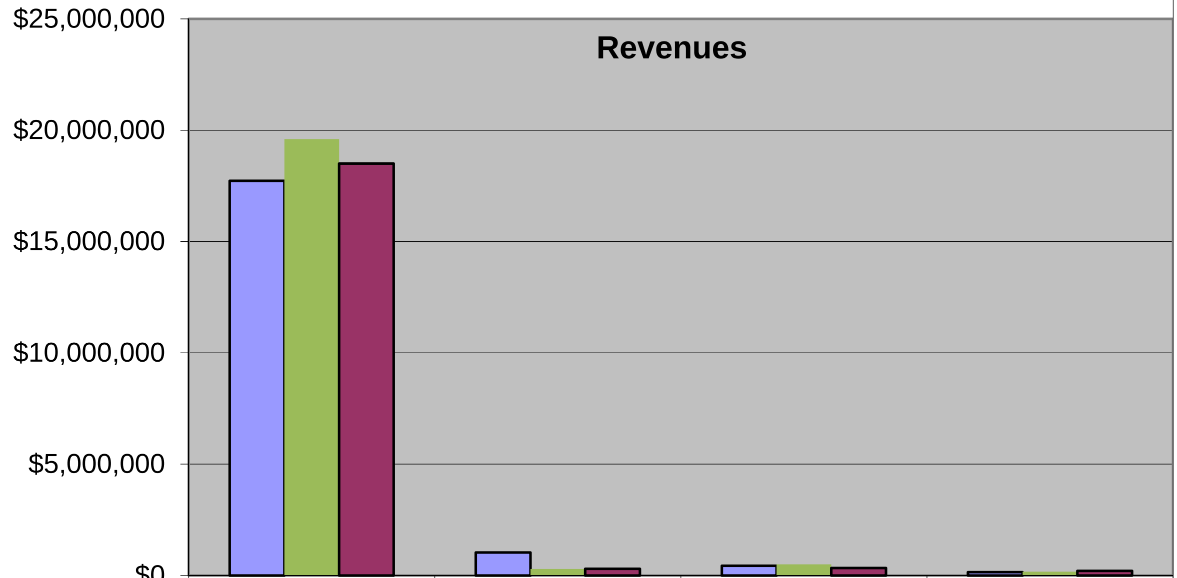
Chemical expense overall decreased significantly when compared to FY13. Total actual costs were $412,000 compared to $523,000; a decrease of $111,000. Due to the historically low water system demand, chemical use at the water treatment plant was lower than expected during May and June as water production was decreased. In the sewer system, use of chemicals in the collection system reduced due to an organized program put in place to ensure that chemical feed rates were monitored at a much higher frequency with the objective to reduce chemical consumption without creating a negative impact on the plant treatment processes. This heightened control and tracking resulted in a reduction in overall chemical use without adverse effects.

Interest expense in FY14 dropped by $116,000. 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. Additionally, a 1994 bond issue expired during FY14, thereby eliminating interest expense on that issue altogether. The Authority did not take on any new debt in FY14 and anticipates none in FY15.

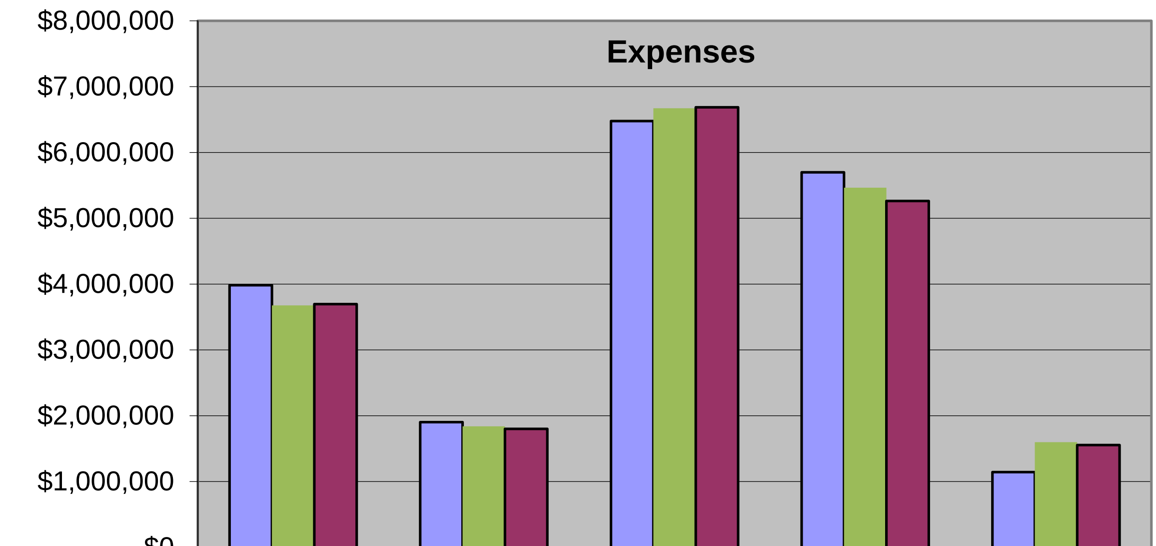
The Authority contributed $578,390 to Mount Laurel Township in FY14. This amount was determined in accordance with N.J.S.A. 40A:5A-12.1.

Graphical representations showing revenues and expenses for the three fiscal years of 2012, 2013 and 2014 follow.

OPERATING REVENUES & EXPENSES



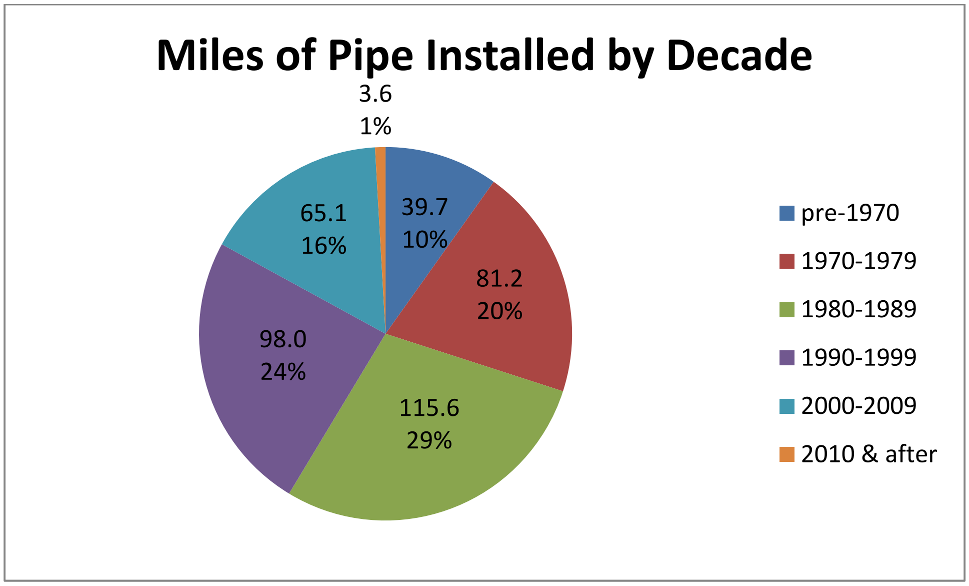
	Utility Service Charges	Connection Fees	Other Operating	Non Operating
2014	$17,726,908	$1,031,044	$437,225	$148,855
2013	$19,603,512	$288,907	$499,737	$172,440
2012	$18,503,997	$299,483	$334,984	$204,069



	Salaries & Wages	Fringe Benefits	Other Operating	Depreciation	Non Operating
2014	$3,983,732	$1,902,223	$6,477,630	$5,698,830	$1,144,562
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

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 nearly $210 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) has requested that the New Jersey American Water Works Association's (NJAWWA) Infrastructure Management Committee (IMC) provide guidance regarding New Jersey Rules for developing and implementing asset management plans. The Authority's Executive Director and Operations Director are members of the NJAWWA IMC and have been actively working on rule development recommendations based upon the Authority's experience developing its own AM program.

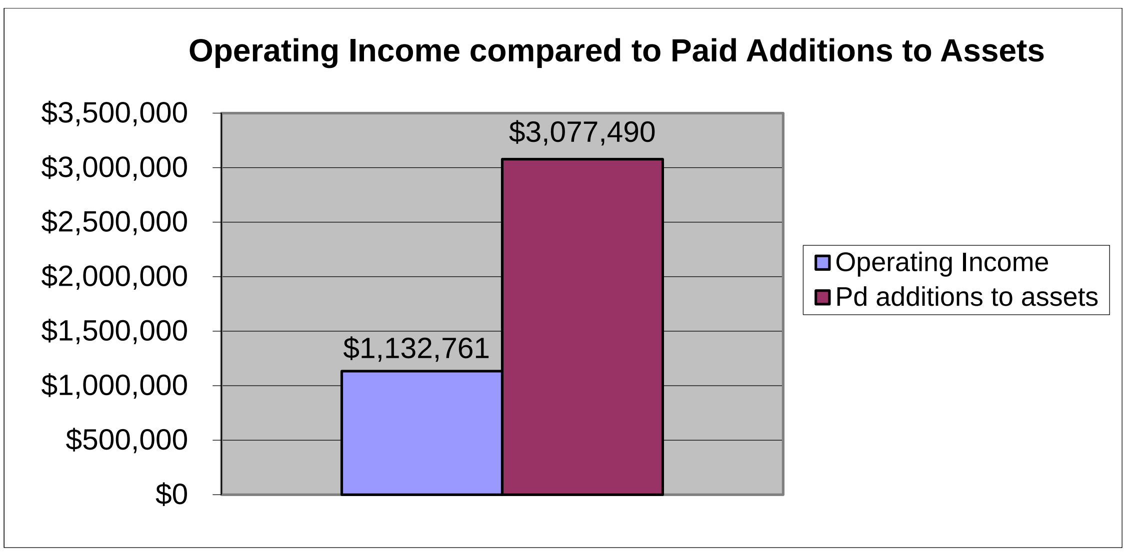
ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)

During FY14, the Authority disbursed $3.08 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	$ 15,100
Meter Change Out Program	$ 187,050
Water Dist. System Modeling (Hydraulic)	$ 12,323
Watermain Replacement:	
Hooten Road	$ 82,695
West Berwin Way	$ 280,169
Liberty Road (Design)	$ 24,037
Televising of Sanitary Sewer Mains	$ 29,157
Sludge Press Building # 1 Major Rehab	$ 69,138
Rehabilitation & Construction of 81 Elbo Lane	$ 237,728
HVAC Unit 81 Elbo Lane	$ 74,491
Clarifiers Repair/Rehab at 41 Elbo Lane	$ 51,535
Server Replacement AM-9000	$ 17,700
Well # 6 Repairs/Rehab/Replacement & Additions	$ 141,890
Sludge Transfer Pump Rehabilitation	$ 28,335
Installed VFD's on Existing Sludge Transfer Pumps	$ 40,869
UV Unit Replacement at HRWPCF	$ 642,379
Holiday Village East New Controls & Equipment	$ 191,870
Holiday Village East New Volutes & Suction Head Pumps # 1 & 2	$ 25,438
Emergency Repair Camber Lane Watermain	$ 49,001
Atrium Pumping Station Pump Replacement	$ 26,065
Replacement Vehicle U-62 Dodge Ram	$ 23,797
Orchard Pumping Station:	
New Controls and Equipment Upgrade & Site Improvements	$ 16,602
Water Valve / Gate Valve Insertions / Replacements Cascade Drive at Amaryllis Blvd plus Watermain Replacement	$ 42,881
Hunters Lane Forcemain Exploration/Study	$ 18,691
Rebuild Motors & Pumps at Pumping Stations	$ 40,400
Installation & Removal of Trees & Bamboo at Admin Building	$ 15,842
Replacement of # 1 Blower for Sludge Tank @ HRWPCF	$ 16,117

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

West Berwin Way Water Main Replacement – Curb Stop Excavation & Hydrant Installation



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 $21.93 million of paid additions to its assets over the seven fiscal years of 2008 through 2014. $13.83 million of these paid additions were provided by available cash reserves which were planned for and accumulated over many years for the specific purpose of paying for capital projects on a "pay as you go" basis. The source of these funds is the "Unrestricted" portion of the Authority's Net Position (see earlier chart). During the same seven year period of FY2008 through FY2014, the Authority's aggregate Operating Income has totaled $7.48 million. This is a clear demonstration of how the Authority reinvests its operational results back into its infrastructure and capital improvements. In addition, the Authority has issued $8.7 million in debt over the past seven years, of which $8.1 million was used for capital asset additions for certain capital projects. The Authority continually plans capital projects in both short and long range terms, including the assessment of whether to commit "Unrestricted" funds or to issue debt to finance those projects.

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

Our five-year capital plan calls for the expenditure of $19,284,725 with $4,897,395 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 Position (including reserves for renewal and replacement)	$ 19,259,725	$ 4,892,395
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 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.

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.

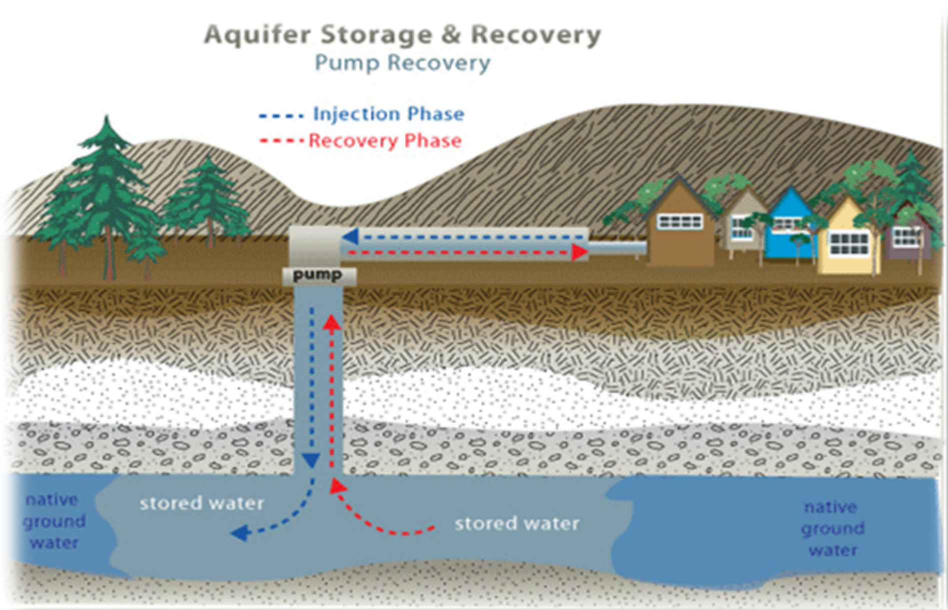
ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)

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 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

LOOKING FORWARD (CONT'D)

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 third of these payments was made in June, 2014.

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.