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HARBOR POLICE RETIREMENT SYSTEM

Financial Statements as of June 30, 2011 and 2010 and for the Year Then Ended and Independent Auditors' Report

HARBOR POLICE RETIREMENT SYSTEM

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Harbor Police Retirement System
New Orleans, Louisiana

We have audited the accompanying statements of plan net assets of the Harbor Police Retirement System (the Plan) as of June 30, 2011 and 2010 and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, information regarding the Plan's net assets as of June 30, 2011 and 2010, and the changes therein for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 6 and the required supplementary plan information on pages 18 and 19 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Plan's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

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In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 2011 on our consideration of the Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Silva Gurtner & Abney, LLC

December 30, 2011

HARBOR POLICE RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011 AND 2010

This discussion of the Harbor Police Retirement System's (the Plan) financial performance provides an overview of the Plan's financial activities for the fiscal years ended June 30, 2011 and 2010. Please read it in conjunction with the Plan's financial statements, which follow this section.

2011 FINANCIAL HIGHLIGHTS

- Net assets held in trust for pension benefits increased by $1,146,673 as a result of the year's operations from $9,863,871 to $11,010,544.
- Additions for the year were $2,413,099, which was comprised of contributions of $347,173, including fines of $6,534 and net investment income of $2,065,926.
- Deductions for the year were $1,266,426, which was comprised of benefit payments of $1,139,663 and administrative expenses of $126,763.

2010 FINANCIAL HIGHLIGHTS

- Net assets held in trust for pension benefits decreased by $153,132 as a result of the year's operations from $10,017,003 to $9,863,871.
- Additions for the year were $777,681, which was comprised of contributions of $334,624, including fines of $7,368, and net investment income of $443,057.
- Deductions for the year were $930,813, which was comprised of benefit payments of $804,967 and administrative expenses of $125,846.

THE STATEMENTS OF PLAN NET ASSETS AND THE STATEMENTS OF CHANGES IN PLAN NET ASSETS

This annual report consists of two financial statements: The Statements of Plan Net Assets and the Statements of Changes in Plan Net Assets. These financial statements report information about the Plan and about its activities to aid in the assessment of whether the Plan, as a whole, has improved or declined as a result of the year's activities. The financial statements were prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period they are earned and expenses are recorded in the period they are incurred, regardless of when cash is received or paid.

The Statements of Plan Net Assets show the balances in all of the assets and liabilities of the Plan at the end of the fiscal year. The difference between assets and liabilities represents the Plan's net assets. Over time, increases or decreases in the Plan's net assets provide one indication of whether the financial health of the Plan is improving or declining. The Statements of Changes in Plan Net Assets shows the results of financial operations for the year. The statements provide an explanation for the change in the Plan's net assets since the prior year. These two statements should be reviewed along with the information contained in the financial footnotes, including the required supplementary schedules, to determine whether the Plan is becoming financially stronger or weaker.

HARBOR POLICE RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011 AND 2010

FINANCIAL ANALYSIS

2011 STATEMENT OF PLAN NET ASSETS

The Plan's assets consisted mainly of investments and receivables related to contributions and accrued interest. Between fiscal year 2011 and 2010, total assets increased by $1,133,881 from $9,889,635 to $11,023,516 primarily due to an increase in net investment income of $1,622,869 resulting from more favorable market conditions during the current year offset by $251,950 of DROP payments made during the current year.

Liabilities mainly consisted of administrative expenses and have decreased from $25,764 to $12,972 from fiscal year 2010 to 2011.

Net assets held in trust for pension benefits increased $1,146,673 or 12%.

2010 STATEMENT OF PLAN NET ASSETS

The Plan's assets consisted mainly of investments and receivables related to contributions and accrued interest. Between fiscal year 2010 and 2009, total assets decreased by $141,842 from $10,031,477 to $9,889,635 because total additions of $777,681 were not enough to cover the benefits paid and the administrative expenses incurred for the year.

Liabilities mainly consisted of administrative expenses and have increased from $14,474 to $25,764 from fiscal year 2009 to 2010.

Net assets held in trust for pension benefits decreased $153,132 or 1.6%.

2011 STATEMENT OF CHANGES IN PLAN NET ASSETS

ADDITIONS TO PLAN ASSETS

	2011	2010	Increase (Decrease)
Contributions	$ 347,173	$ 334,624	$ 12,549
Investment income (loss)	2,065,926	443,057	1,622,869
Totals	$ 2,413,099	$ 777,681	$ 1,635,418

Additions consisted of contributions from the Board of Commissioners of the Port of New Orleans (sponsoring entity), contributions from Harbor Police active members, fines, and investment income. Contributions increased primarily due to two new participants contributing during the year offset by the loss of contributions for one terminated participant, one participant who elected DROP during the year and one participant who retired due to a disability during the year. Investment income increased mainly due to favorable market conditions.

DEDUCTIONS FROM PLAN ASSETS

	2011	2010	Increase (Decrease)
Benefits paid	$ 887,713	$ 804,967	$ 82,746
DROP benefits paid – lump sum	251,950	-	251,950
Administrative expenses	126, 763	125, 846	917
Totals	$ 1,266,426	$ 930,813	$ 335,613

Deductions consisted of pension and death benefit payments to retirees and beneficiaries and administrative expenses. Benefits paid increased by 10.3% primarily due to one new DROP participant and one new disability retiree offset by the deaths of two retirees. There were two DROP participants who received their lump sum benefits during the fiscal year.

2010 STATEMENT OF CHANGES IN PLAN NET ASSETS

ADDITIONS TO PLAN ASSETS

	2010	2009	Increase (Decrease)
Contributions	$ 334,624	$ 346,008	$ (11,384)
Investment income (loss)	443,057	(2,673,510)	3,116,567
Totals	$ 777,681	$ (2,327,502)	$ 3,105,183

Additions consisted of contributions from the Board of Commissioners of the Port of New Orleans (sponsoring entity), contributions from Harbor Police active members, fines, and investment income. Contributions decreased due to a decrease in contributions of two employees who were on active duty military service during fiscal year 2010. Investment income increased mainly due to favorable market conditions.

DEDUCTIONS FROM PLAN ASSETS

	2010	2009	Increase (Decrease)
Benefits paid	$ 804,967	$ 788,340	$ 16,627
Refunds and adjustments	-	43,270	(43,270)
Administrative expenses	125, 846	121,337	4,509
Totals	$ 930,813	$ 952,947	$ (22,134)

Deductions consisted of pension and death benefit payments to retirees and beneficiaries and administrative expenses. Benefits paid increased by 2.1% primarily due to two DROP employees retiring offset by the death of one retiree and one survivor. Refunds and adjustments decreased by $43,270 due to a decrease in active employee turnover in 2010.

RETIREMENT SYSTEM AS A WHOLE

The Plan uses the aggregate actuarial cost method whereby the actuarial liability is equal to the actuarial value of assets and there is no unfunded actuarial accrued liability. The Retirement Committees of the Louisiana State Legislature have adopted the ratio of the actuarial value of assets to the Projected Benefit Obligation (PBO) as one of the measures of funding progress of public retirement systems in the State. The PBO is the actuarial accrued liability under the Projected Unit Credit Actuarial Cost Method. The funded ratio on this basis is 64.4% for 2011 and 73.8% for 2010.

THE PLAN FINANCIAL MANAGEMENT

The financial report is designed to provide our members, customers and other interested parties with a general overview of the Plan's finances and to show the Plan's accountability for the money it receives. If there are any questions about this report or a need for additional information, contact the plan administrator at #1 Third Street, New Orleans, Louisiana 70130.

HARBOR POLICE RETIREMENT SYSTEM
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 276,472	$ 342,553
Receivables		
Member contributions	9,162	8,631
Employer contributions	17,014	16,029
Accrued interest	18,550	20,086
Other	425	545
Total receivables	45,151	45,291
Total current assets	321,623	387,844
INVESTMENTS, at fair value		
Equity securities	4,261,030	2,934,130
Fixed income	2,299,277	2,485,770
Limited partnerships	4,141,586	4,081,891
Total investments	10,701,893	9,501,791
TOTAL ASSETS	11,023,516	9,889,635
LIABILITIES	12,972	25,764
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**$ 11,010,544**	**$ 9,863,871**

See accompanying independent auditors' report and notes to financial statements.

HARBOR POLICE RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
ADDITIONS		
Contributions		
Members	$ 118,557	$ 114,539
Employer	222,082	212,717
Fines and other	6,534	7,368
Total contributions	347,173	334,624
Investment income		
Net appreciation in fair value of investments	1,836,440	41,510
Interest and dividends	259,716	426,404
	2,096,156	467,914
Less investment expense	(30,230)	(24,857)
Net investment income	2,065,926	443,057
Total additions	2,413,099	777,681
DEDUCTIONS		
Benefits paid		
Life annuity payments	887,713	804,967
DROP benefit payments - lump sum	251,950	-
Administrative expenses	126,763	125,846
Total deductions	1,266,426	930,813
CHANGE IN PLAN NET ASSETS	**1,146,673**	**(153,132)**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - Beginning of year	9,863,871	10,017,003
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - End of year	**$ 11,010,544**	**$ 9,863,871**

See accompanying independent auditors' report and notes to financial statements.

HARBOR POLICE RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE A - DESCRIPTION OF THE PLAN

The following brief description of the Harbor Police Retirement System (the Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

Reporting Entity – The Harbor Police Retirement System is a public corporation created to administer a retirement plan for participating commissioned members of the Harbor Police Department of the Board of Commissioners of the Port of New Orleans (the Police Department). The Plan is administered by an eight member Board of Trustees. The Plan was created by Act 80 of 1971 (the Act), as amended by various subsequent Acts, of the Louisiana Legislature.

Plan Administrator – The Board of Trustees has engaged third parties to provide actuarial services, consulting services, investment services, and to assist with certain administrative functions of the Plan.

General – The Plan is a single-employer defined benefit, contributory plan that covers all commissioned officers and certain employees of the Police Department who were under the age of 50 on the date of employment.

Membership – At June 30, the membership of the Plan consisted of:

	2011	2010
Active members	35	36
Inactive members:		
Retirees	28	29
Working after DROP	1	1
DROP	4	3
Beneficiaries	5	5
Pending refunds	21	24
	59	62
Total	94	98

Benefits – The Plan, as amended, allows for members to retire at age 60 with 10 years of service, at age 55 with 12 years of service, at age 45 with 20 years of service, and at any age with 25 years of service.

Member benefits are equal to 3⅓% of average final compensation, as defined, multiplied by creditable service years, not to exceed 100% of final salary. The Plan also provides benefits for surviving spouses and disabled members. If a member resigns from the Police Department before retirement, accumulated employee contributions are refunded to the employee without interest.

NOTE A - DESCRIPTION OF THE PLAN, (continued)

Benefits, (continued) – The Plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROP). Effective July 1, 2008, this option permits Plan members to continue working at their jobs and draw regular salary for the lesser of five years or the number of years which, when added to the number of years of creditable service equals thirty-five. While in DROP neither employee nor employer contributions are paid into the plan. The retirement benefits that would be payable to the retiree are allowed to accumulate in a special account for later distribution. Interest is not paid on the account but, if the member meets his contractual obligation of retiring at the end of the DROP period, then he receives an amount compounded in a manner like interest that is based on a percentage rate set annually by the Board of Trustees. At the end of the DROP period, the member can receive a lump payment of the DROP account, a life annuity or other method approved by the Board of Trustees.

The Board of Trustees is authorized, under certain conditions, to provide annual cost-of-living increases. The cost-of-living adjustments may not exceed 3% of the current benefit (5% of the current benefit for age 65 or older). No cost-of-living adjustment was made in 2011 or 2010. An action of the Board of Trustees with respect to cost-of-living adjustments as provided in R.S. 11:3685(D), employee contributions as provided in R.S. 11:154 and actuarial assumptions as provided in R.S. 11:3688(D), are considered amendments to the provisions of the Plan. Other amendments would require the Louisiana Legislature to revise the statutes. No amendment to the plan can deprive any member of a benefit to which he is already entitled.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The Plan's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. Investment purchases and sales are recorded as of their trade date. Employer and member contributions are recorded in the period the related salaries are earned. Administrative expenses are funded from investment earnings. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments – Investments, including limited partnerships, are reported at fair value when published prices are available or at cost when it approximates fair value. Investments that do not have an established market are reported at estimated fair value. The fair value of the limited partnerships is determined based on the underlying net assets of the private investment companies which are primarily readily marketable securities. A portion of the underlying investments are non-marketable securities whose fair values have been estimated by the management of the underlying funds. Each of the limited partnerships has certain restrictions with respects to rights of withdrawal. The limited partnerships generally require written notification and withdrawals are possible at certain dates, ranging from forty-five days to annually.

Financial Accounting Standards Board (FASB) guidelines define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establish a framework for measuring fair value.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Method Used to Value Investments, (continued) – FASB guidelines establish a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market date.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Pension plan investments and financial statements are subject to market fluctuations that can rapidly change the fair value on a day-to-day basis. Such market swings can create material changes in unrealized appreciation (depreciation) of investments.

Use of Estimates – The Plan Administrator and custodian have made significant estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of factors related to such assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Payment of Benefits - Benefit payments to participants are recorded upon distributions.

NOTE C - CASH EQUIVALENTS AND INVESTMENTS

Cash Equivalents – Cash equivalents include $276,472 and $342,553 held in Louisiana Asset Management Pool (LAMP) at June 30, 2011 and June 30, 2010, respectively.

HARBOR POLICE RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE C - CASH EQUIVALENTS AND INVESTMENTS, (continued)

Cash Equivalents, (continued) – LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with Louisiana R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days.

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pools is the same as the value of the pool shares. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Investments – Investments as of June 30, 2011, summarized using levels 1, 2, and 3 are as follows:

Investment Type	Level 1	Level 2	Level 3	2011
Equity securities	$ 4,261,030	$ -	$ -	$ 4,261,030
Fixed income	1,998,764	-	300,513	2,299,277
Limited partnerships	-	-	4,141,586	4,141,586
Total investments	$ 6,259,794	$ -	$ 4,420,099	$ 10,701,893

Investments as of June 30, 2010, summarized using level 1, 2, and 3 are as follows:

Investment Type	Level 1	Level 2	Level 3	2011
Equity securities	$ 2,934,130	$ -	$ -	$ 2,934,130
Fixed income	2,185,619	-	300,151	2,485,770
Limited partnerships	-	-	4,081,891	4,081,891
Total investments	$ 5,119,749	$ -	$ 4,382,042	$ 9,501,791

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Under the Act, the Board of Trustees has the power to invest and reinvest funds in accordance with the prudent-man rule limitations set forth in subtitle 1, Chapter 4 Part II of Title 11. The Plan has no investment policy that would further limit its investment choices.

NOTE C - CASH EQUIVALENTS AND INVESTMENTS, (continued)

Limited Partnerships – In fiscal years 2011 and 2010, the Plan invested in five limited partnerships. Each partnership investment is managed by nonaffiliated independent managers employing various investment strategies. These investments are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Plan's name.

The following table summarizes the partnership investments with managers as of June 30, 2011.

Investments	Cost	Market Value	Net Unrealized Appreciation (Depreciation)
Golden Tree High Value Yield Fund Offshore, L.P.	$ 100,000	$ 1,274,435	$ 1,174,435
Ironwood Capital Partners L.P.	600,000	1,087,470	487,470
Emory Partners, L.P.	400,000	786,382	386,382
Americus Real Estate Fund IV, Ltd.	391,782	199,590	(192,192)
Equitas Evergreen Fund, L.P.	750,000	793,709	43,709
Total Limited Partnerships	$ 2,241,782	$ 4,141,586	$ 1,899,804

The following table summarizes the partnership investments with managers as of June 30, 2010.

Investments	Cost	Market Value	Net Unrealized Appreciation (Depreciation)
Golden Tree High Value Yield Fund Offshore, L.P.	$ 500,000	$ 1,247,344	$ 747,344
Ironwood Capital Partners L.P.	600,000	971,767	371,767
Emory Partners, L.P.	650,000	1,018,918	368,918
Americus Real Estate Fund IV, Ltd.	391,782	198,925	(192,857)
Equitas Evergreen Fund, L.P.	750,000	644,937	(105,063)
Total Limited Partnerships	$ 2,891,782	$ 4,081,891	$ 1,190,109

NOTE C - CASH EQUIVALENTS AND INVESTMENTS, (continued)

Limited Partnerships, (continued) – Following is a brief description of the partnership investments as of June 30, 2011.

- **Golden Tree High Value Yield Fund Offshore, L.P.** – (Approximate ownership is 0.9%) is an exempted limited partnership organized under the laws of the Cayman Islands which commenced operations on November 5, 2001. The Partnership's principal objective is to achieve, risk-adjusted total returns by investing on a long only basis in primarily public and private non-investment grade and non-rated debt securities. Golden Tree High Yield Value Offshore GP, Ltd. is the General Partner responsible for the management and operation of the Partnership. Golden Tree Asset Management, LP is the management company that provides administrative services to the Partnership and is the investment manager of the fund.

- **Ironwood Capital Partners, L.P.** – (Approximate ownership is 1.8%) is a Delaware limited partnership, which commenced operations on July 1, 2000. The Partnership's objective is to achieve substantial capital appreciation with limited variability of returns. The Partnership attempts to accomplish this objective by allocating capital among a number of independent investment managers acting through pooled entities such as limited partnerships, limited liability companies and offshore corporations or through managed accounts. The majority of these managed accounts employ "relative value" and arbitrage strategies whereby they attempt to limit risk by investing both long and short in related securities and other financial instruments in a manner that reduces overall market sensitivity.

- **Emory Partners L.P.** – (Approximate ownership is 2.6%) was organized on April 19, 1995 under the laws of the State of California. The Partnership is engaged primarily in speculative trading of options on futures contracts and futures contracts on financial instruments, physical commodities, and other commodity interests. Stile Partners, LLC, a Delaware limited liability company, is the general partner of the Pool.

- **Americus Real Estate Fund IV, Ltd.** – (Approximate ownership is 0.7%) creates subsidiaries of the Partnership to acquire commercial real estate primarily leased to public tenants. The Partnership's investment objective is to convert existing operating leases held by public tenants into capital leases. The newly created Partnership plans to invest in class A, B & C commercial office buildings and industrial properties valued between $3 million and $20 million.

- **Equitas Evergreen Fund, L.P.** – (Approximate ownership is 0.8%) was formed June 18, 2003 as a Delaware Limited Partnership and invests in nonaffiliated limited partnerships employing various strategies, including but not limited to, arbitrage, equity hedge diversified, equity hedge international, equity sector hedge, emerging market and high yield.

HARBOR POLICE RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE C - CASH EQUIVALENTS AND INVESTMENTS, (continued)

Concentration of Credit Risk – Excluding the above partnerships and investments issued or guaranteed by the U.S. Government, the Plan has no investments in any single organization that represents five percent or more of the Plan's net assets, nor does the Plan hold more than five percent of any corporation's stock at June 30, 2011 and 2010.

NOTE D - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Funding of the Plan is provided from contributions from members and the Board of Commissioners of the Port of New Orleans (the Port), as specified in the Act. Members contribute, by payroll deduction, 7% of defined compensation.

The Port is required to make contributions to the Plan at actuarially determined rates expressed as a percentage of members' defined compensation; however, the maximum contribution by the Port shall not exceed thirteen percent of defined compensation. Level percentages of payroll employer contribution rates are determined using the aggregate actuarial method is used. This method produced required employer contribution levels, including fines, at 72.26% and 60.12% of covered payroll for 2011 and 2010, respectively. Fines were approximately 0.40% and 0.45%, respectively, of covered payroll for fiscal years ending 2011 and 2010. The Port was directly funded at the limited rate of 13% of covered payroll for fiscal years 2011 and 2010.

NOTE E - FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2011, the most recent actuarial valuation date, the plan was 65.2% funded. The actuarial accrued liability for benefits was $17.0 million, and the actuarial value of assets was $11.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of $5.9 million. The covered payroll (annual payroll of active employees covered by the plan) was $1.6 million, and the ratio of the UAAL to the covered payroll was 360.1%. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents current year and three previous years of information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additional multiyear trend information will be presented in future years.

NOTE F - SUBSEQUENT EVENTS

Effective July 1, 2011, members began contributing, by payroll deduction, 9% of defined compensation, as specified in the revised Act. Effective July 1, 2011, the Port began directly funding at the limited rate of 20% of covered payroll, as specified in the revised Act.

There has been a significant decline in the market since year end, but management believes that the decline is temporary thus no adjustments have been made to the fair value of the investments in the financial statements.

NOTE F - SUBSEQUENT EVENTS, (continued)

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 30, 2011, and, except as noted above, determined that no additional events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTARY PLAN INFORMATION

HARBOR POLICE RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY PLAN INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2008	13,232,258	14,824,016	1,591,758	89.26%	1,455,889	109.33%
6/30/2009	12,824,215	16,083,647	3,259,432	79.73%	1,579,359	206.38%
6/30/2010	12,182,061	16,461,720	4,279,659	74.00%	1,634,282	261.87%
6/30/2011	11,108,029	17,046,368	5,938,339	65.16%	1,649,090	360.10%

SCHEDULE OF EMPLOYER CONTRIBUTIONS AND FINES

Fiscal Year Ended June 30	Contributions: Employer Contributions	Contributions: Fines	Contributions: Total	Employer Annual Required Contribution (including fines)	Employer Contributions and Fines as a Percentage of Annual Required Contributions	Employer's Contribution (excluding fines) limited to 13% by Act
2006	216,565	19,810	236,375	261,528	90%	216,565
2007	169,762	9,385	179,147	173,542	103%	169,762
2008	199,814	8,049	207,863	478,405	43%	199,814
2009	207,577	26,342	233,919	694,128	34%	207,577
2010	212,717	7,368	220,085	982,530	22%	212,717
2011	222,082	6,534	228,616	1,191,632	19%	222,082

See accompanying independent auditors' report.

HARBOR POLICE RETIREMENT SYSTEM
ACTUARIAL METHODS AND ASSUMPTIONS
FOR THE YEAR ENDED JUNE 30, 2011

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	June 30, 2011
Actuarial cost method	Aggregate actuarial cost method, a method which does not identify or separately amortize unfunded actuarial liabilities
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7% per annum
Mortality	Mortality rates were projected based on the 1971 Group Annuity Mortality Table, Male set back five years for females.
Termination, disability and Retirement	Termination rates were similar to the experience of other police plans throughout the state. Disability rates were based on the Eleventh-Actuarial Valuation of the Railroad Retirement System. Early retirement rates assumed were 10% for ages 45 to 49, 20% for ages 50 to 62, and 100% for ages 63 and over. Actual retirement of people eligible for retirement prior to the traditional age of 65 are dependent on intangible things such as the economy, health, financial ability, the Social Security System, and work patterns.
Salary growth	5% per year
Cost-of-living adjustments	Accumulated cost-of-living adjustments are included in costs. Adjustments for the next year are projected but future cost-of-living increases which are contingent on satisfaction of statutory requirements and approval by the Board of Trustees are not projected.

Silva Gurtner & Abney

Certified Public Accountants & Consultants

Brent A. Silva, CPA*
Craig A. Silva, CPA*
Thomas A. Gurtner, CPA*
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*Limited Liability Companies

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Harbor Police Retirement System
New Orleans, Louisiana

We have audited the financial statements of the Harbor Police Retirement System (the Plan), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Plan's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, Plan Sponsor's management, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

December 30, 2011

HARBOR POLICE RETIREMENT SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONSED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

(1) Summary of Auditors' Results

(a) The type of report issued on the financial statements: unqualified opinion

(b) Significant deficiencies in internal control disclosed by the audit of the financial statements: no; Material weaknesses: no

(c) Noncompliance which is material to the financial statements: no

(2) Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards*

No findings were noted for the fiscal year ended June 30, 2011.

(3) Other Reports

The Plan received a revised draft report on December 21, 2011 from the Louisiana Legislative Auditor regarding a compliance audit that was conducted. The draft report noted several findings and recommendations which have been addressed and are continuing to be addressed by management and the Louisiana Legislature. The final report has not been issued as of the date of this report. The effect of the Louisiana Legislative Auditor's report, if any, on the financial statements cannot be determined at this time.

The Plan received a draft report of an actuarial valuation as of June 30, 2010 on November 18, 2010 from the Louisiana Legislative Auditor as requested by the Plan's sponsor, the Port of New Orleans. The draft report noted several findings, conclusions, and recommendations which have been addressed and are continuing to be addressed by management and the Plan's actuary. The final report has not been issued as of the date of this report. The effect of the Louisiana Legislative Auditor's report, if any, on the financial statements cannot be determined at this time.

HARBOR POLICE RETIREMENT SYSTEM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

2010-1 INTERNAL CONTROL OVER FINANCIAL REPORTING

Condition: General ledger account reconciliations for some significant accounts or transaction classes were not performed in a timely manner.

Auditors' recommendation: All significant general ledger accounts should be reconciled in a timely manner and reviewed by management. This review should be documented.

Management response: Resolved. Management worked with the third party administrators to correctly identify and prepare adjusting journal entries for investment transactions.

2010-2 TIMELY SUBMISSION OF REPORT

Condition: Certain aspects of field work were not completed within the time frame prescribed by the Louisiana audit law.

Auditors' recommendation: The Plan should remain in compliance with reporting requirements.

Management response: Resolved. Management is complying with all submission requirements for the current year.