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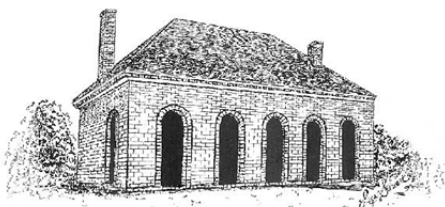
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HANOVER COUNTY

ESTABLISHED IN 1720

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November 16, 2011

The Honorable Members of the Board of Supervisors
Citizens of the County
County of Hanover, Virginia

Honorable Members of the Board of Supervisors and Residents of the County of Hanover:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Hanover County (the County) for the fiscal year ended June 30, 2011. The *Code of Virginia* requires that local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) where applicable, and the Virginia Auditor of Public Accounts (APA).

This report consists of management’s representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and fairness of presentation of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed to ensure compliance with applicable laws, regulations and County policies, safeguard the County’s assets, and compile sufficient reliable information for the preparation of the County financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and accurate in all material respects, and presents fairly the financial position and results of operations of the various funds and component units of the County.

This report is intended to provide informative and relevant financial information for the citizens of the County, the Board of Supervisors (the Board), investors, creditors and other concerned readers. All are encouraged to contact the Department of Finance with any comments or questions concerning this report.

The County’s financial statements have been audited by Cherry, Bekaert and Holland, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2011, are free of

material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2011 are fairly presented in all material respects, in conformity with GAAP. The auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's compliance with the financial and administrative requirements applicable to each of the County's major federal programs. These reports are available in the Compliance Section of this report.

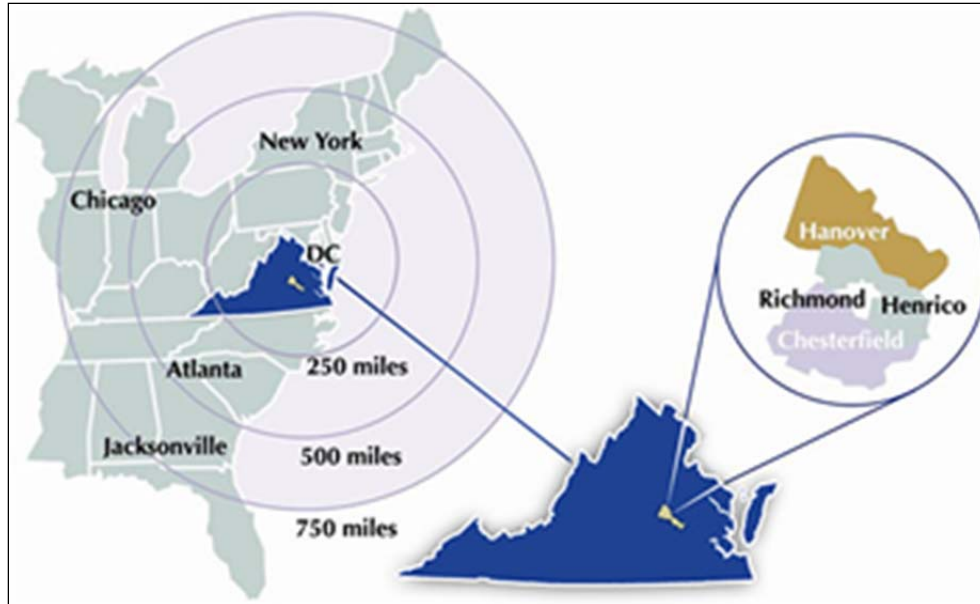
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

Profile of the County

The County was formed on November 26, 1720, by the Virginia General Assembly in "An Act for dividing New Kent County." It is named for King George I of England, who, at the time he came to the throne, was Elector of Hanover in Germany. Two of the County's native sons, Patrick Henry and Henry Clay, distinguished themselves as orators, patriots and statesmen in the early history of this Country. Prior to English colonization in the seventeenth century, the Pamunkey Indians populated this area. The northern boundary, the Pamunkey River, carries their name and they maintain a reservation on the lower part of the river in neighboring King William County. The Town of Ashland is located in central Hanover County and was incorporated in 1858.

The County currently employs the traditional board form of county government with a county administrator. Policies governing the administration of the County are set by a seven-member Board of Supervisors elected from seven magisterial districts. This body also has responsibility for appointing the county administrator. The County has taxing powers subject to statewide restrictions and tax limits.

Located in central Virginia, Hanover County is a 90-minute drive south of the nation's capital, Washington D.C., and 15 minutes north of the Commonwealth's capital, Richmond. Hanover County is more than 470 square miles in area, and is strategically located in the northern Greater Richmond Region, which also includes the City of Richmond and the counties of Chesterfield and Henrico. Hanover is bordered by the counties of Caroline, King William, New Kent, Henrico, Goochland, Spotsylvania and Louisa and by the Pamunkey, North Anna and Chickahominy Rivers. The South Anna River is also located in the County. Home of the internationally renowned Hanover tomato, the County offers an appealing blend of both historic houses and the latest new home developments, a nationally recognized suburban school system, and a resilient economy with a balance between residential, commercial, industrial and agricultural tax bases.



The offices of the Board of Supervisors, County Administrator, County Attorney, Commissioner of the Revenue, Treasurer, Registrar, and the departments of Human Resources, Finance, Internal Audit, Assessor, Public Information, Purchasing General Services and Information Technology constitute the general government administration of the County. The officers, along with the staff of the various departments, implement the laws and policies of the County by developing and executing the procedures that are necessary in order to provide general support services to residents of the County.

The Court system is made up of the Circuit Court, General District Court, Magistrate, Juvenile and Domestic Relations Court, Clerk of the Circuit Court, Court Services, and Commonwealth's Attorney. The public safety operations of the County include the Sheriff, Pamunkey Regional Jail, Juvenile Court Services Unit, Community Corrections, Emergency Communications, Fire and Emergency Medical Services, Animal Control and Building Inspections.

Public Works administers capital projects of the County, maintains the stormwater management program, administers the State-sponsored erosion and sediment control law, and oversees solid waste management, the Cannery, the County Airport and the recycling service district operations. Facilities Management provides property management of all County-owned, nonschool related properties.

The Department of Social Services determines eligibility for public assistance programs, which are mandated by federal and state law. The Community Services Board provides mental health, mental retardation, and substance abuse services. In addition, it provides adult services and supervised living services. Hanover is served by the Regional Health District of Hanover, Goochland, New Kent, and Charles City. Also included within human services expenditures is tax relief provided under the Tax Relief for the Elderly and Disabled Program and expenditures for services required by the Comprehensive Services Act.

Parks and Recreation provides and promotes leisure services such as park activities, educational and hobby programs, senior citizen activities, youth programs, adult athletic leagues, bus tours, special events, and other activities for County residents in addition to maintenance of the County's grounds. The Pamunkey Regional Library provides public library service to the County through six branch libraries, the bookmobile and remote access to the library collection through the library's web site.

The Planning Department is responsible for the Comprehensive Plan; demographics; and the acceptance, review, and disposition of all land use and subdivision applications. The Geographic Information System Office is responsible for developing, maintaining, and distributing geographic related data sets and applications. The services of the Economic Development Department are designed to attract, retain, generate, and facilitate expansion of high quality business and industry resulting in a stable and diverse local economy and an improved standard of living for the residents of the County.

The County's Department of Public Utilities operates and maintains public water and sanitary sewer systems in the "Suburban Service Area" (the crescent-shaped area north of the Chickahominy River, generally between Route 1 and Creighton Road and includes the Town of Ashland), the Doswell area, the Route 33 area, and the Hanover Courthouse area. The County provides utility service to approximately 20,381 water and 18,604 wastewater customers.

The County provides education through its school system administered by the Hanover County School Board (School Board) and promotes industry through the Economic Development Authority (the EDA). In accordance with GASB pronouncements, these agencies have been classified as discretely presented component units in the accompanying financial statements because they are legally separate entities for which the County is financially accountable. The School Board administers the County's schools and administers its own appropriations within the categories defined by the *Code of Virginia*, but is fiscally dependent upon the County because the Board of Supervisors approves the budget, levies the necessary taxes to finance operations and issues debt to finance school capital projects. The Board of Supervisors also approves transfers between education funds, and appoints School Board members. The EDA has the power to issue tax-exempt industrial development revenue bonds on behalf of qualifying enterprises wishing to utilize that form of financing, as well as to finance County facilities. Those bonds do not constitute a debt or pledge of the faith and credit of the County or the EDA, but represent limited obligations of the EDA payable solely from the revenue and receipts derived from the projects funded with the proceeds.

The annual budget serves as the foundation of the County's financial planning and control. All agencies of the County generally submit requests for appropriation to the County Administrator on or before December 1 each year. The County Administrator uses these requests as the starting point for developing a proposed budget. The County Administrator then presents the proposed budget to the Board. The Board is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30, the close of the County's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., Sheriff's office) with the budget appropriation resolution adopted by the Board of Supervisors placing legal restrictions on expenditures at the fund level.

The County's adopted budget policy also requires Board of Supervisors approval of any budget transfer between departments and all requests for supplemental appropriations. The School Board is authorized to transfer budgeted amounts within the school funds, with any transfer that increases total revenues requiring subsequent Board of Supervisors approval. Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented at Exhibit 6 as part of the basic financial statements. A more detailed General Fund budget-to-actual comparison by department is presented at Exhibit 13, and budget-to-actual comparisons for other governmental funds with appropriated annual budgets are presented in the Supplementary Information subsection of this report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Local economy:

Based on its strategic location in the northern Greater Richmond region of the mid-Atlantic and its suburban/rural character, the County is an attractive location for businesses relocating or expanding and for developers interested in the opportunities in the area's residential and commercial markets. The County is primarily served by Interstates 95 and 295, with Interstate 95 connecting the County to the metropolitan Richmond area to the south and providing the passage to Washington, D.C. to the north. Interstate 295 connects the eastern and western portions of the County together and represents the northern "loop" around the metropolitan Richmond area.

During fiscal year 2011, the County continued to feel the effects of the national recession, which it first started to feel in the fall of 2008. However, based on the County's experience during the last three fiscal years of the recession, recent economic indicators and favorable demographics, Hanover County has consistently experienced, and expects to continue to experience a buffered impact, due to the financial strength and diversification of the County's economy, its low reliance on federal jobs or procurement, and the County's close proximity to the Richmond MSA's economic base.

For example, as the following chart illustrates, based on the most recent estimates available, Hanover enjoys a high per capita income and a mean (average) household income higher than the national and state averages. Comparatively, Hanover's per capita income of \$43,030 is 10.8% above the United States' per capita income of \$38,846 and only 0.4% below the Commonwealth's, while its mean household income (shown below) is 8.3% above the Commonwealth's and 30% above the national average. In addition, the U.S. Census Bureau's estimate of Hanover's median (mid-point) household income of \$71,891 in 2010 is 18.5% higher than the Commonwealth's of \$60,674 and 54.0% higher than the United States' of \$46,677. Per the U.S. Office of Personnel Management, Hanover also has a low reliance on federal jobs, with only 177 federal employees resident within the County.

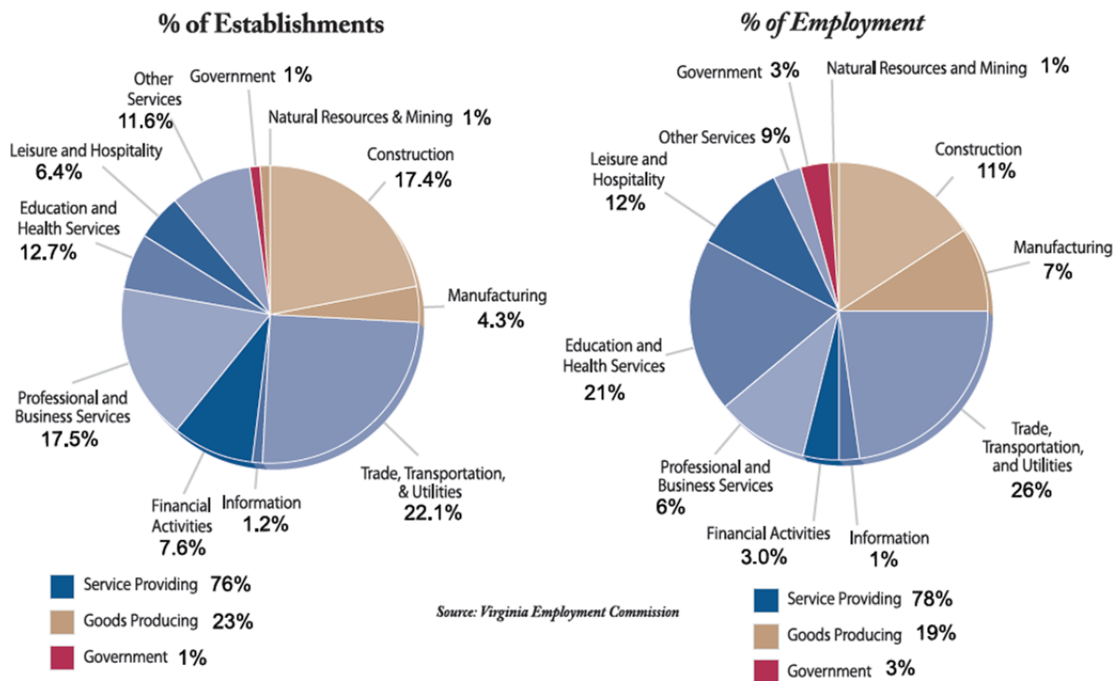


The County also continues to attract and maintain diverse sectors of employment. Historically, the County's major employment sectors have been in services, retail and wholesale trade, and construction. The County has benefited from the stability each of these sectors has maintained in terms of each sector's percentage of total employment, although during the recession, trade and services have increased in total percentage of employment, as construction has declined moderately. As illustrated in the chart immediately below, this characteristic has contributed to consistently low levels of unemployment in the County over a long period, in comparison to the State and the nation, while the subsequent chart illustrates Hanover's percentage of business establishments by industry sector for the second quarter of fiscal 2011.

	Hanover County	Virginia	United States
2000	1.6%	2.3%	4.0%
2001	2.5%	3.2%	4.7%
2002	3.3%	4.2%	5.8%
2003	3.2%	4.1%	6.0%
2004	3.0%	3.7%	5.5%
2005	2.9%	3.5%	5.1%
2006	2.5%	3.0%	4.6%
2007	2.5%	3.0%	4.6%
2008	3.5%	4.0%	5.8%
2009	6.6%	6.8%	9.3%
2010	6.5%	6.9%	9.6%

Source: Virginia Employment Commission, Local Area Unemployment Statistics.

Percentage of Business Establishments by Industry Sector - Fourth Quarter Ave. 2010



As shown in the following chart, another factor illustrating the resiliency of the County's economic base is the strong rise in overall retail sales in the County over a ten year period on a per capita basis, which reflects generally increasing income levels and an increase in commercial sales, with 8 of the 10 years reflecting annual growth and 4 of the 10 years reflecting double digit annual growth. Overall taxable sales increased 45.2% and per capita taxable sales increased 29.0% between 2001 and 2010, with the recession's impact factored in.

Hanover County Taxable Sales (\$000)		% Increase	Per Capita Taxable Sales
2001	\$ 1,005,513	1.5%	\$ 11,262
2002	1,022,980	1.7%	11,178
2003	1,131,363	10.6%	12,081
2004	1,247,286	10.2%	13,066
2005	1,316,798	5.6%	13,643
2006	1,524,937	15.8%	15,541
2007	1,677,157	10.0%	16,933
2008	1,605,944	-4.2%	16,106
2009	1,438,741	-10.4%	14,380
2010	1,459,792	1.5%	14,539

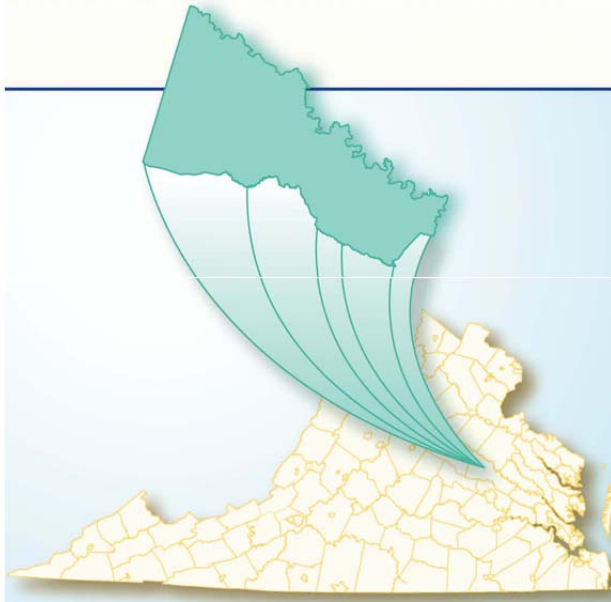
Source: Commonwealth of Virginia, Department of Taxation

Although the impact of the recession is clearly seen in the above numbers for calendar years 2008 and 2009, the County's 2010 taxable sales showed a 1.5% increase, and on a fiscal year basis, 2010 and 2011 sales tax revenues increased 5.7% and 5.8%, respectively. As discussed under *Economic Factors and Next Year's Budgets and Rates* in the accompanying *Management's Discussion and Analysis*, as of August 2011, sales tax receipts have exceeded the same-month receipts in the prior year in 14 of the most recent 18 months, and management currently expects a 3.0% increase in fiscal year 2012's sales tax revenue.

To foster employment growth and good jobs for its citizens, Hanover County continues to place a strong focus on economic development opportunities as it has for many years. As part of that effort, in fiscal year 2011, the County conducted a local business outreach program, Business First Hanover, aimed at supporting local companies and ensuring that they are provided every opportunity to grow right here in Hanover County. As part of the local business outreach effort, the Business First team conducted face-to-face interviews with business owners and CEO's representing 54 Hanover companies with 1,138 jobs in the County in a variety of sectors including manufacturing, wholesale trade, and transportation and warehousing. The average firm interviewed had 21 employees, but employment ranged from 1 to 196 with 87 percent of companies having fewer than 50 employees. More than half of interviewed Hanover businesses consider themselves to be emerging or growing. Despite lingering concerns about the future health of the national economy, many of the Hanover businesses indicated that they were ready to hire additional staff. In fact, 30 percent of the firms anticipated adding new jobs in the coming year, creating approximately 90 new positions, more than half of which are anticipated to be in the manufacturing sector. The data revealed no individual sector of employment vulnerable to significant job losses. In addition, more than 30 percent of interviewed firms indicated that overall investment in their facility had increased over the past 18 months and nearly 50 percent reported increased investment in equipment. And of the 13 participating businesses with plans for expansion, 31 percent indicated they will require additional square footage. Hanover County is pleased that its Business First Hanover outreach has generated positive feedback and helped foster productive relationships with many local business owners.

To further illustrate the steady creation of new business and employment opportunities within the County during the recession, the following chart shows the creation of new start-up firms in Hanover on a quarterly basis both before and during the recession.

HANOVER COUNTY ECONOMIC DEVELOPMENT



New Startup Firms

Continuously Created throughout the Recession

Hanover County	
1st Qtr. 2008	71
2nd Qtr. 2008	34
3rd Qtr. 2008	32
4th Qtr. 2008	33
1st Qtr. 2009	27
2nd Qtr. 2009	34
3rd Qtr. 2009	39
4th Qtr. 2009	26
1st Qtr. 2010	42
2nd Qtr. 2010	34
3rd Qtr. 2010	49
4th Qtr. 2010	30
1st Qtr. 2011	38

Note: The following criteria was used to define new startup firms:

- 1.) Setup and liability date both occurred during 1st Quarter (January, February, March) 2011
- 2.) Establishment had no predecessor UI Account Number
- 3.) Private Ownership
- 4.) Average employment is less than 250
- 5.) For multi-unit establishments, the parent company must also meet the above criteria.

Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW), 1st Quarter (January, February, March) 2011.

Most recently, Barricade Building Products, a division of Specialty Coating & Laminating, LLC (SC&L) of Doswell, Virginia, announced it had completed the acquisition of Berry Plastics' housewrap division on November 1, 2011. The company expects to add 15-20 new jobs by March 2012, and anticipates that the building products division will expand significantly in the future with the addition of new products for their customers.

Of interest, Hanover's continued economic development in a resilient economy, consistently strong financial operations, strong reserves, diverse tax base, and long track record of sound fiscal management were among the factors cited in fiscal 2010 in awarding Hanover County AAA bond ratings by all three of the major credit rating agencies: Standard and Poor's, Moody's and Fitch Ratings. Hanover is one of only 36 counties nationwide to have earned this designation, and is the smallest by population to have done so. These ratings were reaffirmed by all three ratings agencies in fiscal year 2011 in connection with the County's final issuance of bonds under the 2005 voter-approved referendum.

Also as further discussed under *Economic Factors and Next Year's Budgets and Rates* in the accompanying *Management's Discussion and Analysis*, rather than the significant housing market declines felt by much of the nation, the County's 2011 real property tax base remained only 2.2% lower than the prior year's level, and initial assessment data currently forecast a comparatively modest 5.4% overall decline in the 2012 assessment, which gives rise to approximately 50% of the County's general fund revenues. Hanover's long-term focus and demonstrated commitment to planned growth, which spans over three decades, is the most significant factor in preventing the double digit appreciation and declines felt in other parts of the State, and most prominently in Northern Virginia. As a result of the County's continual focus on timely revenue forecasting, conservative budgeting practices and proactive management of expenditures, the decline did not have any impact on the general fund's unassigned fund balance at the end of fiscal year 2011, is not expected to have any significant impact on the general fund's unassigned fund balance or service levels in fiscal year 2012, and will be factored into the County's fiscal year 2013 budget.

Despite now being three years into the downturn in the nation's economy, Hanover County remains strong, resilient and flexible, as demonstrated by the following factors:

- The County's commitment to remaining a low tax locality is reflected in its real property tax rate, which has remained at \$0.81 cents per \$100 of assessed value for the 2011 tax year. Hanover continues to have the lowest tax rate in the region combined with an overall positive economic environment, which has enabled the County to continue to thrive economically.
- Hanover's long-term facility requirements were substantially met with the 2005 referendum projects. Accordingly, the County is in a positive position of having reduced capital financing and cash funding needs in the five-year plan, which has provided for enhanced flexibility in financial planning. Recent capacity from new schools and additions combined with flat enrollment growth has provided that 2019 is the year that the next new school is anticipated. In addition, the replacement program for seven fire and emergency medical services stations was completed in fiscal 2011, finishing all seven major station projects.
- The County is well insulated from any potential downturn in federal spending, having only 171 federal employees resident within the County, no planned closures of County post offices, and with a low reliance by County businesses on federal procurement.

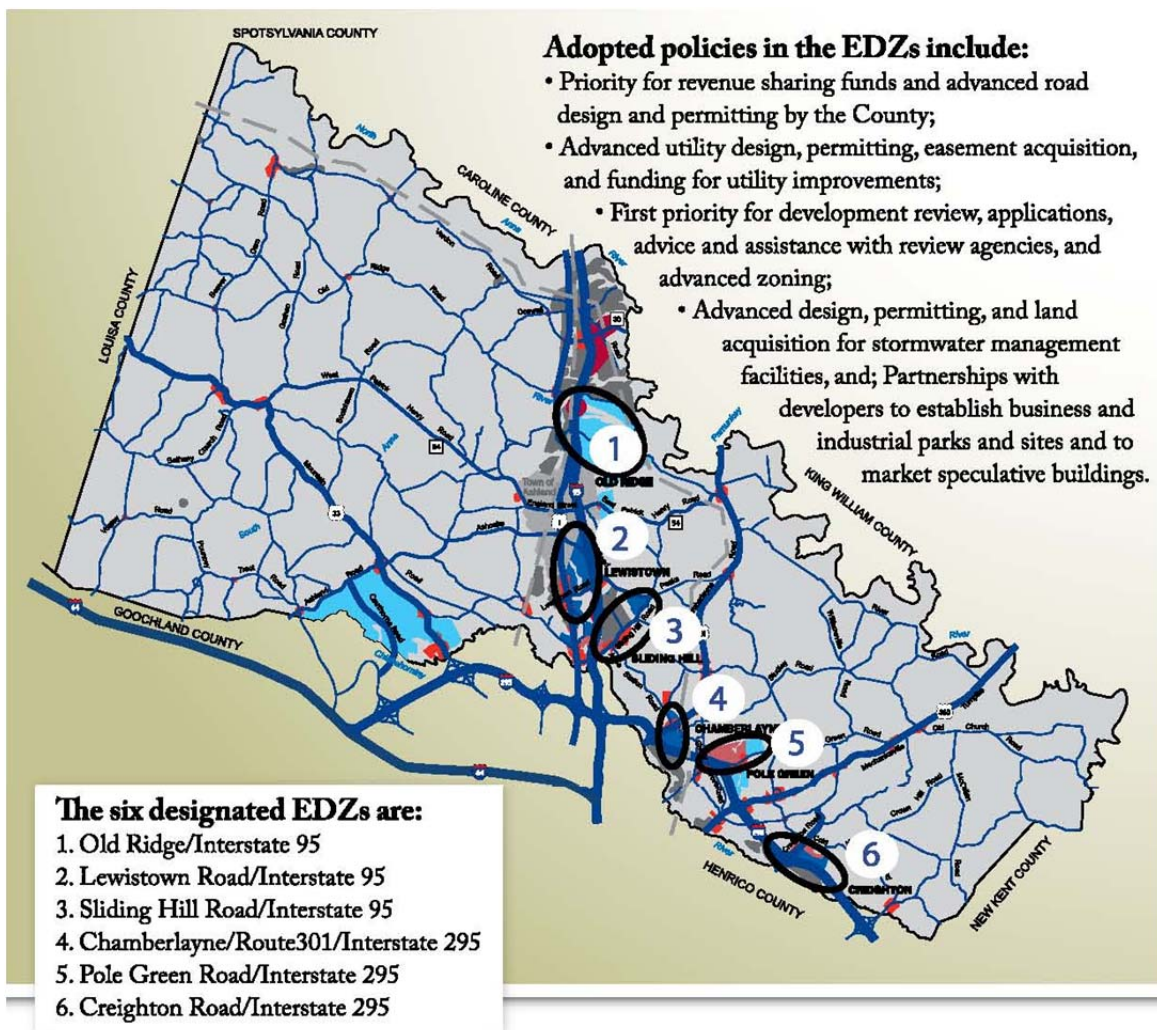
Economic development update:

The Board of Supervisors' adopted Economic Development Strategic Plan encourages and supports growth of existing and new businesses. This plan outlines the County's four major economic development goals: expansion of the tax base, economic stability, job retention, and job creation. The plan identifies target industries, the utilization of incentives, the establishment of economic development zones for infrastructure enhancement, and revisions to the County's development regulations. The Board completed a Comprehensive Plan update in 2007, which added significant new business designations to the area west of Route 33 to Hylas and northeast of Ashland, along Interstate 95. The Department of Public Utilities is currently working on a project to extend water and sewer service to the Route 33 corridor. These improvements are expected to be completed by 2013.



In addition to the initiatives just described, the County’s Dominion Resources GreenTech Incubator, established in fiscal year 2010 to foster the development of new “clean and green” industries in Hanover County, announced in August 2011 that its first incubator tenant, Eastlight Renewable Ventures, had successfully established solar energy contracts with major corporations, an important step in its transformation from a start-up venture to a successful solar energy company. In addition, in September 2011 the Incubator saw its first tenant, Marz Industries, obtain funding to perform “fleet validation” testing of its new hydrogen fuel cell technology with select Virginia trucking companies. The County is pleased the Incubator’s efforts throughout fiscal year 2011 have helped to foster these opportunities, and is committed to continue to work with local businesses to promote economic growth and job opportunities for the benefit of all County residents.

Hanover’s six Economic Development Zones (EDZs) give priority consideration for development of infrastructure and fast track permitting to support new and expanding industrial and office projects in the County. Selection of the EDZs was based on several factors: Comprehensive Plan designation, site location, cost to serve the site with infrastructure, the amount of product currently available for sale, and the level of private sector activity occurring in the area. The County’s commercial tax base continues to grow through a combination of existing business expansions and new business attraction. The following map provides more information and a visual representation of the locations of the six EDZs within the County.



In addition, the County's four newest business parks have over 600 acres of zoned property and over one million square feet of office and commercial space that are now generating revenue for the County and creating high-quality employment opportunities for residents. The headquarters of Owens & Minor, a Fortune 500 company, is located at the Atlee Station Office Park and employs approximately 500 people. In addition to owning 50 acres surrounding its corporate offices for future expansion, in July 2011 Owens and Minor expanded operations at its distribution facility in the Enterchange @ Northlake Business Park by taking an additional 37,851 square feet in that facility. Also in September 2011, Country Inn and Suites opened its newest hotel at Winding Brook in the Lewistown Commerce Center, continuing Winding Brook's development which began with the opening of Bass Pro Shops' 158,000 square foot retail store there in September 2008. The Atlee/Elmont interchange area contains over 350 acres planned for retail, hotel, commercial, and industrial development. The County's Bell Creek Business Park and Rutland, a mixed use community, also continue to expand. Commercial and industrial development has accounted for 33 percent of the total value of building permits issued in Hanover between 2003 and 2011.

Long-term financial planning:

The County has long been recognized as formulating detailed public plans for its long-term financial planning. Planning enables the County to appropriately analyze issues and initiatives, receive public comment during public hearings, and formulate desired service level plans and phase-in funding to attain desired goals over the long term. Primarily, these long-term financial plans include the Five-Year Capital Improvements Program and Five-Year Financial Plan:

- **Capital Improvements Program (CIP):** The CIP is the County's plan for investing in facilities, equipment, and vehicles over the next five years, and includes those items with a unit cost greater than \$50,000. The fiscal year 2012 capital budget for County, School and Public Utility projects is \$22.0 million, including \$11.9 million of school projects to be funded by Virginia Public School Authority debt. The County's budget policies recommend the use of "pay-as-you-go" CIP funding of 10% or more, to recognize the need to balance the use of debt with the use of other resources for funding. The fiscal year 2012 Five-Year CIP includes 33% of "pay-as-you-go" funding (from non-debt sources). The CIP recognizes the continued accumulation and utilization of the School and County Savings Plan.
- **Bond Referendum:** A referendum for \$95.1 million was included on the November 2005 ballot in the form of three questions; one each for funding schools, public safety and parks and library projects. The referendum approval ratings were some of the highest in the State, ranging from 79.2% for schools to 73.2% for parks and library projects. Hanover voter turnout was the fifth highest in the State and demonstrated strong support of the CIP. Of the \$95.1 million of debt that was approved by the voters, \$81.6 million was issued through June 30, 2010 and \$12.5 million was issued in January, 2011. Due to use of bond premiums, the County does not plan to issue the remaining \$1.0 million.
- **Five-Year Financial Plan:** The County's Five-Year Financial Plan represents the County's effort to quantify the fiscal impacts of future needs, matched with a projection of General Fund resources available to meet those needs. Each year this plan is adopted by the Board of Supervisors, thereby indicating to the public the County's expected tax rates, operating costs, capital improvements, debt service requirements, school allocations and service level plans. The plan is illustrated with detailed assumptions in the overview section of the budget document. Generally, the plan seeks to maintain or enhance all current budgetary objectives and Board-adopted initiatives.

Relevant financial policies:

The County also follows Board-adopted financial policies, including Accounting, Budget, Debt, Fund Balance, Investments and Deposits, Purchasing, Deferred Compensation 457(b) and 403(b) Plan Investment, Revenue, and Travel and Business Expense policies. These policies are periodically reviewed, with amendments approved by the Board as necessary. To add clarification and more detail, most policies have associated regulations which are approved by the County Administrator.

Major initiatives and accomplishments:

In August 2010 the County's new Emergency Communications Center was completed and began full operations, and all remaining school and park projects funded by the 2005 referendum were completed. In April 2011 the Board of Supervisors voted to eliminate the County decals, in favor of free landfill stickers for newly registered vehicles, and on May 11, 2011 the Board of Supervisors adopted the 2011 Redistricting Plan. Also in fiscal 2011 the Board established an initiative to develop the model for an overall County Strategic Plan, and began work on new vision and mission statements, definition of mission focus areas, and development of a process by which individual area strategic plans will be developed, monitored and updated. A key milestone in this process was met with the adoption in July, 2011 of new vision, mission and value statements for the County, which can be seen on the last page of this report.

A world-class education system is one of the County's top priorities, and the following list highlights a few of Hanover Schools' achievements of which all citizens of Hanover are most proud:

Academic Excellence

- Preliminary reports from the Virginia Department of Education indicate that 100% of Hanover schools earned full accreditation based on the 2011 Virginia Standards of Learning assessments. Hanover has achieved this for the past ten consecutive years.
- The average elementary student-to-classroom teacher ratio is 21.5:1.
- The rigorous International Baccalaureate (IB) Diploma Program is in place in all four high schools.
- Hanover high schools are among only two percent of American high schools which offer AP (Advanced Placement), IB (International Baccalaureate) and dual enrollment options to their students.
- Junior Reserve Officer Training Corps (JROTC) programs are in place in our high schools.
- 99.6% of Core Academic classes are taught by teachers meeting the federal definition of Highly Qualified.
- A total of 73 Hanover teachers have earned National Board Certification since the inception of the program.
- A Graduate Warranty Program assures that students are prepared for post-secondary education or entry-level employment.

Awards/Accomplishments

- Hanover County Public Schools is accredited by the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS CASI) and AdvancED.
- Hanover County was named one of the Top 100 Communities in America for Music Education.

- Forbes Magazine ranked HCPS among the top 50 school districts in the nation comparing student achievement vs. cost per pupil.
- Hanover received the SchoolMatch “What Parents Want” designation for six consecutive years. This recognition is reserved for those school districts in the nation that demonstrate high levels of student achievement and maintain emphasis on small class size.
- Hanover was the first Virginia school district to receive the U.S. Senate Productivity and Quality Award for Continuing Excellence.
- Hanover ranks first among Virginia’s 132 school systems for the percentage of its budget invested toward classroom instruction.

Awards and Acknowledgements

Hanover County continued to be recognized for excellent management during fiscal year 2011. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. The County has received this prestigious award each fiscal year since 1985. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized CAFR, which satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County received the GFOA’s Distinguished Budget Presentation Award for its annual budget document for fiscal year 2012. The County has received this prestigious award each fiscal year since 1990. In order to qualify for the Distinguished Budget Presentation Award, the County’s budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

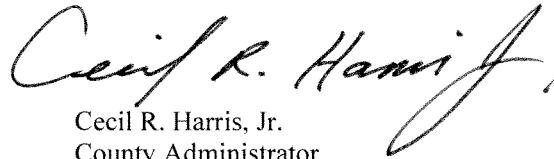
Also in 2011, the Department of Public Works received a Virginia Association of Counties’ (VACo) Achievement Award for its organic waste diversion program. The program was the statewide winner in the Environmental category. VACo also named Hanover County as one of the 10 recipients of the 2010 Go Green Award. The Go Green Initiative is a partnership between the VACo and the Virginia Municipal League recognizing local governments that have implemented practical actions that improve energy efficiency and reduce carbon emissions.

Also in 2011, the Sheriff’s Office also received a National Association of Counties’ (NACo) Achievement Award for its newly-formed Motorists Assistance Program.


The County utilizes its website www.co.hanover.va.us for a variety of purposes, which include presentation of the audit report and budget document. The budget document serves as the best source of information for County’s current and five year financial plan, new initiatives, capital improvements program and changes in service levels. In addition, the website provides many other topics of interest to County residents and service providers, and provides an excellent forum to recognize outstanding employees and their accomplishments. While many of those accomplishments could also be highlighted in this report, the remainder of this report will focus on the County’s fiscal year 2011 results of operations and on an analysis of the financial statements.

The preparation of this report would not have been possible without the efficient and dedicated services of the Department of Finance and Management Services. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report, especially Craig Eastman, Accounting Division Director, as well as Barbara Horlacher and Donna Neely, for their equally key contributions. Credit also must be given to the Board for their unfailing support for maintaining the highest standards of professionalism in the management of the County's finances.

Respectfully submitted,



Cecil R. Harris, Jr.
County Administrator



Kathleen T. Seay, CPA, CISA
Director of Finance and Management Services