



# Quarterly Budget Report

## *First Quarter of Fiscal Year 2022-23*



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### OVERVIEW

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The accompanying tables summarize the recognized revenues and expenditures for Durham County's General Fund, Capital Improvement Fund, and Reappraisal Reserve Fund through September 30, 2022. Please note that 4-year first quarter averages have been provided for comparison. These averages reflect what was reported in the first quarter report for the four preceding fiscal years.

A dashboard representation of first quarter budgets is provided as a convenient way to monitor the progress of FY 2022-23 revenues and expenditures. The dashboard uses a "traffic light" indicator to represent where agency revenues and expenditures are in comparison to a 4-year first quarter average. The indicator, if red, is not a cause for concern, but rather an indicator of an area that merits a second look. For all "red light" indicators an overview of the cause is provided.

For revenues, **green** represents revenues at 90% or greater than the 4-year average, **yellow** represents revenues between 70% and up to 90% of the 4-year average, and **red** represents revenues below 70% of the average. For expenditures, **green** represents expenditures not more than 2% greater than the 4-year average, **yellow** represents expenditures between 2% and 5% greater than the average, and **red** represents expenditures greater than 5% of the average.

### REVENUE SUMMARY

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Through September 30, 2022, the County collected \$82,317,926 or 12.67% of the budgeted General Fund, Capital Improvement Fund, and Reappraisal Reserve Fund revenue. Two of the most significant revenues in these funds, property tax and sales tax revenue collections, traditionally are not received in significant amounts until second quarter of the fiscal year.

Current year property tax collection, the largest single revenue source for Durham County, is slightly over the 1st Quarter 4-year average (13.8%% collected, vs 10.22% respectively). Vehicle property tax collection is following the 4-year average. Overall trending for this largest revenue sources is looking solidly normal. Second and third quarters will give more perspective on the property tax collection rates.

Normally, due to the method of distribution from the North Carolina Department of Revenue, no sales tax collections are recorded during the 1<sup>st</sup> Quarter of the fiscal year, and therefore show at 0%. However, the July 2022 (1<sup>st</sup> month of FY 2022-23) sales taxes were received in October 2022 and are reflected in the report. It is too early to say with any trending support that sales tax revenue collection will meet budget, but budgeted amounts are conservative and all indications are that sale tax revenue collection will meet or exceed budget estimates.

Register of Deeds Registration and Transfer fees have been collected at a high level in every quarter for the last two fiscal years, reflective of a very active Durham County housing market. However, first quarter FY 2022-23 collections as a percentage of budget are down from the previous years. This is largely because the revenue budget for FY 2022-23 was adjusted up by more than \$2.7M



# Quarterly Budget Report

## First Quarter of Fiscal Year 2022-23



from the previous fiscal year to reflect previous trending actual revenue collection. But it should also be noted that the pace of actual monthly collections in this fiscal year has slowed compared to last fiscal year, largely related to the slowdown in home sales which in turn is due to significantly higher interest rates for mortgages.

| Key Revenues                        | Current Budget       | Revenues End of Qtr. | % Revenues    | 4 Prior Year Qtr. Average | Status of Revenues |
|-------------------------------------|----------------------|----------------------|---------------|---------------------------|--------------------|
| ABC Net Profit Distribution         | \$2,600,000          | \$0                  | 0.00%         | 0.00%                     | ●                  |
| Animal Control Fees                 | \$25,000             | \$7,109              | 28.44%        | 18.56%                    | ●                  |
| Article 39 (1 Cent)                 | \$30,420,279         | \$2,709,245          | 8.91%         | 0.00%                     | ●                  |
| Article 40 (1/2 Cent)               | \$18,332,756         | \$1,898,387          | 10.36%        | 0.00%                     | ●                  |
| Article 42 (1/2 Cent)               | \$21,833,774         | \$2,094,572          | 9.59%         | 0.00%                     | ●                  |
| Article 44 (1/2 Cent)               |                      | \$23                 | 0.00%         | 0.00%                     | ●                  |
| Article 46 (1/2 Cent)               | \$19,100,000         | \$1,845,574          | 9.66%         | 0.00%                     | ●                  |
| City Sales Tax ILA                  | \$16,424,789         | \$3,084,793          | 18.78%        | 2.24%                     | ●                  |
| Community Health Fund               | \$2,757,399          | \$0                  | 0.00%         | 98.39%                    | ●                  |
| Court Facilities Fees               | \$220,000            | \$34,991             | 15.90%        | 21.77%                    | ●                  |
| Deed Registration and Transfer Fees | \$9,000,000          | \$2,073,724          | 23.04%        | 34.89%                    | ●                  |
| EMS Patient Fees                    | \$12,670,000         | \$2,737,909          | 21.61%        | 23.45%                    | ●                  |
| Fund Balance Appropriated           | \$31,502,154         | \$0                  | 0.00%         | 0.00%                     | ●                  |
| Intergovernmental Items             | \$59,083,399         | \$10,665,356         | 18.05%        | 23.51%                    | ●                  |
| Investment Revenue                  | \$1,510,000          | \$289,016            | 19.14%        | 23.69%                    | ●                  |
| Local Occupancy Tax (General Fund)  | \$3,650,000          | \$998,840            | 27.37%        | 18.74%                    | ●                  |
| Local Occupancy Tax (NCMLS)         | \$500,000            | \$0                  | 0.00%         | 0.00%                     | ●                  |
| Other General Funds Revenues        | \$8,741,091          | \$3,510,837          | 40.16%        | 17.49%                    | ●                  |
| Property Tax (All Except Vehicle)   | \$325,931,670        | \$44,985,228         | 13.80%        | 10.22%                    | ●                  |
| Property Tax (Vehicles Only)        | \$22,069,665         | \$4,246,033          | 19.24%        | 21.18%                    | ●                  |
| Sheriff Fees                        | \$500,000            | \$122,181            | 24.44%        | 18.87%                    | ●                  |
| Solid Waste Management Fee Co       | \$2,387,744          | \$469,716            | 19.67%        | 15.13%                    | ●                  |
| State Hold Harmless Funds           | \$9,000,000          | \$346,789            | 3.85%         | 90.98%                    | ●                  |
| Transfers From Other Funds          | \$51,559,466         | \$197,602            | 0.38%         | 0.45%                     | ●                  |
| <b>Total</b>                        | <b>\$649,819,186</b> | <b>\$82,317,926</b>  | <b>12.67%</b> | <b>10.09%</b>             |                    |

- Current year collections equal 90% or greater than 4-year same quarter average
- Current year collections equal 90% to 70% of 4-year same quarter average
- Current year collections equal 70% or less than 4-year same quarter average

**Key revenue items with red indicator include:**

- **Community Health Fund:** This revenue source is a transfer from the Community Health Fund to the General Fund to support EMS services. In the past several years this transfer between funds has happened in the first quarter, but that transfer did not happen in the FY 2022-23



# Quarterly Budget Report

## *First Quarter of Fiscal Year 2022-23*



first quarter. The transfer of funds will occur before the end of the fiscal year and presents no concern to the County.

- **Deed Registration and Transfer Fees:** Register of Deeds Registration and Transfer fees have been collected at a high level in every quarter for the previous two fiscal years, reflective of a very active Durham County housing market. However, first quarter FY 2022-23 collections as a percentage of budget are down from the previous years. This is largely because the revenue budget for FY 2022-23 was adjusted up by more than \$2.7M to reflect previous fiscal year actual revenue collection of more than \$10M. But it should also be noted that the pace of actual monthly collections in this fiscal year has slowed compared to last fiscal year, largely related to the slowdown in home sales which in turn is due to significantly higher interest rates for mortgages. The next two quarters will clarify whether overall trending is on a consistent decline.
- **State Hold Harmless Funds:** August collections of this revenue are considered a “true up” amount from an initial allocation given to Durham County in the previous fiscal year. For the past several years this “true up” amount has been larger than the current year amount. There is no cause for concern with this lower amount, but it may indicate future slower growth in this revenue stream.

This revenue source is related to lost Article 44 sales tax that the state appropriated from Durham County as an offset for also taking on Durham County’s growing Medicaid costs. Over the past several years the growth in this lost sales tax revenue has meant more revenue has been collected than the state paid out in Medicaid related costs...meaning the County received “hold harmless” revenue (the difference between Article 44 sales tax revenue and Medicaid costs). Last fiscal year saw an increase in Medicaid costs, but also a corresponding increase in sales tax revenue. The budget for FY 2022-23 related to this hold harmless revenue have been budgeted conservatively due to its variability. The Budget office expects that this budgeted revenue will be collected.



# Quarterly Budget Report

## First Quarter of Fiscal Year 2022-23



### REVENUE SUMMARY

| Revenues by Department           | Current Budget       | Revenues End of Qtr. | % Revenues    | 4 Prior Year Qtr. Average | Status of Revenues |
|----------------------------------|----------------------|----------------------|---------------|---------------------------|--------------------|
| Board Of County Commissioners    | \$50,000             | \$0                  | 0.00%         | 0.00%                     | ●                  |
| County Administration            |                      | \$0                  | 0.00%         | 4.03%                     | ●                  |
| Finance                          | \$159,484,520        | \$12,306,876         | 7.72%         | 1.60%                     | ●                  |
| Tax Administration               | \$355,497,835        | \$50,861,796         | 14.31%        | 10.95%                    | ●                  |
| Legal                            | \$2,500              | \$0                  | 0.00%         | 0.00%                     | ●                  |
| Elections                        | \$615                | \$35                 | 5.69%         | -3.86%                    | ●                  |
| Register Of Deeds                | \$9,225,225          | \$2,119,656          | 22.98%        | 34.64%                    | ●                  |
| General Services                 | \$2,862,144          | \$584,965            | 20.44%        | 16.02%                    | ●                  |
| Human Resources                  | \$15,000             | \$1,022              | 6.81%         | 25.81%                    | ●                  |
| Veterans Services                | \$2,000              | \$0                  | 0.00%         | 0.00%                     | ●                  |
| County Sheriff                   | \$3,843,581          | \$626,275            | 16.29%        | 18.96%                    | ●                  |
| Emergency Communications         |                      | \$0                  | 0.00%         | 0.00%                     | ●                  |
| Office of Emergency Services     | \$18,066,421         | \$5,075,547          | 28.09%        | 34.07%                    | ●                  |
| Criminal Justice Resource Center | \$1,407,517          | \$96,821             | 6.88%         | 13.76%                    | ●                  |
| Youth Home                       | \$669,000            | \$197,666            | 29.55%        | 5.92%                     | ●                  |
| Other Transportation             | \$697,669            | \$0                  | 0.00%         | 0.00%                     | ●                  |
| Engineering & Environ Svcs       | \$12,000             | \$19,103             | 159.19%       | 37.60%                    | ●                  |
| Other Environmental Protection   |                      | \$0                  | 0.00%         | 0.00%                     | ●                  |
| Planning                         |                      | \$0                  | 0.00%         | 0.00%                     | ●                  |
| Cooperative Extension Service    | \$317,976            | \$22,944             | 7.22%         | 11.06%                    | ●                  |
| Soil And Water Conservation      | \$30,000             | \$0                  | 0.00%         | 0.00%                     | ●                  |
| Economic Development             |                      | \$0                  | 0.00%         | 25.54%                    | ●                  |
| Public Health                    | \$12,735,611         | \$1,007,118          | 7.91%         | 13.87%                    | ●                  |
| Social Services                  | \$31,547,654         | \$8,878,211          | 28.14%        | 29.43%                    | ●                  |
| Comm-Bd Interv And Supp Serv     | \$1,182,566          | \$261,426            | 22.11%        | 0.00%                     | ●                  |
| Other Human Services             |                      | \$0                  | 0.00%         | 24.47%                    | ●                  |
| Other Education                  |                      | \$0                  | 0.00%         | 100.00%                   | ●                  |
| Library                          | \$609,886            | \$60,863             | 9.98%         | 15.97%                    | ●                  |
| Nondepartmental                  | \$51,559,466         | \$197,602            | 0.38%         | 0.46%                     | ●                  |
| <b>Total</b>                     | <b>\$649,819,186</b> | <b>\$82,317,926</b>  | <b>12.67%</b> | <b>10.09%</b>             |                    |

- Current year collections equal 90% or greater than 4-year same quarter average
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# Quarterly Budget Report

## *First Quarter of Fiscal Year 2022-23*



### Agency specific REVENUE items with red indicator include:

- **Elections:** In FY 2020-21, the Board of Elections received a grant from The Center for Tech and Civic Life to assist with costs associated with holding an election in the middle of the COVID-19 pandemic. Any grant dollars not expended by the end of FY 2020-21 were to be returned to the organization. This resulted in a negative revenue figure in FY 21-22, which affects the entire 4-year same quarter average. It is not a cause for concern related to Election's projected revenue collection by the end of the fiscal year.
- **Register of Deeds:** See explanation given above related to key revenues.
- **Human Resources:** Revenues received in this department are for the Employee appreciation program and are funded with County vending machine income. Due to the ongoing COVID-19 pandemic less employees are working in Durham County facilities and utilizing vending machines. Revenue projections will be reviewed and adjusted in the coming fiscal year relative to expected work trends.
- **Criminal Justice Resource Center:** The first quarter actual revenue collection does not reflect Juvenile Crime Prevention Commission disbursements that CJRC has actually received because the revenue has yet to post in the County finance system. CJRC overall revenue collection is on pace to meet budgeted amounts for the fiscal year.
- **Cooperative Extension Service:** Cooperative Extension recently received a \$167,000 grant from the USDA that increased Cooperative Extension's budgeted revenue by approximately 70%. While the revenue budget increased, Cooperative Extension has just started collecting reimbursements from the grant, which accounts for the overall decreased revenue collection percentage for Quarter 1. Cooperative Extension overall revenue collection is on pace to meet budgeted amounts for the fiscal year.
- **Public Health:** Public Health's total budgeted revenue continue to include additional grant revenue related to the long-term effects of Covid. This increased budget combined with Public Health collecting most of their non-pandemic related grants in the 3<sup>rd</sup> and 4<sup>th</sup> quarter of the year has temporarily skewed Public Health's current year collection rate percentage. While the collection rate percentage is currently lower, the total amount collected, and the collection percentage average will normalize as the year continues.
- **Library:** Library's overall revenue budget increased by approximately 25% from FY 2021-22 to FY 2022-23 due to an increase in Library Gift funding. While this gift funding has increased, no revenue for this gift was collected in the first quarter of the FY 2022-23. As collection for this gift occurs, Library's overall revenue collection will be on pace to meet budgeted amounts for the fiscal year.



# Quarterly Budget Report

## First Quarter of Fiscal Year 2022-23



### EXPENDITURE SUMMARY

| Expenses by Department           | Current Budget       | Expenses and Encumbrances End of Qtr. | % Expenses and Encumbrances | 4 Prior Year Qtr. Average | Status of Expenses |
|----------------------------------|----------------------|---------------------------------------|-----------------------------|---------------------------|--------------------|
| Board Of County Commissioners    | \$916,389            | \$251,834                             | 27.48%                      | 35.39%                    | ●                  |
| County Administration            | \$4,684,729          | \$1,321,790                           | 28.21%                      | 28.35%                    | ●                  |
| Finance                          | \$4,781,982          | \$1,414,147                           | 29.57%                      | 33.52%                    | ●                  |
| Tax Administration               | \$7,871,804          | \$2,532,873                           | 32.18%                      | 35.45%                    | ●                  |
| Legal                            | \$3,395,523          | \$767,360                             | 22.60%                      | 25.43%                    | ●                  |
| Court Facilities                 | \$607,456            | \$445,843                             | 73.40%                      | 73.19%                    | ●                  |
| Elections                        | \$2,663,668          | \$913,477                             | 34.29%                      | 29.69%                    | ●                  |
| Register Of Deeds                | \$2,211,137          | \$608,689                             | 27.53%                      | 31.72%                    | ●                  |
| General Services                 | \$19,462,509         | \$10,969,536                          | 56.36%                      | 42.98%                    | ●                  |
| Information Technology           | \$15,745,426         | \$4,911,055                           | 31.19%                      | 29.51%                    | ●                  |
| Human Resources                  | \$3,049,100          | \$887,109                             | 29.09%                      | 29.99%                    | ●                  |
| Budget & Management Services     | \$682,067            | \$270,771                             | 30.70%                      | 26.69%                    | ●                  |
| Veterans Services                | \$515,485            | \$114,400                             | 22.19%                      | 25.72%                    | ●                  |
| Geographic Information Systems   | \$481,263            | \$120,315                             | 25.00%                      | 14.46%                    | ●                  |
| County Sheriff                   | \$43,953,598         | \$14,328,308                          | 32.60%                      | 31.52%                    | ●                  |
| Emergency Communications         | \$1,704,233          | \$337,506                             | 19.80%                      | 21.74%                    | ●                  |
| Office of Emergency Services     | \$23,258,029         | \$6,859,679                           | 29.49%                      | 30.36%                    | ●                  |
| Medical Examiner                 | \$350,000            | \$13,600                              | 3.89%                       | 51.69%                    | ●                  |
| Criminal Justice Resource Center | \$6,524,506          | \$1,745,093                           | 26.75%                      | 28.81%                    | ●                  |
| Youth Home                       | \$1,745,856          | \$449,918                             | 25.77%                      | 28.63%                    | ●                  |
| Other Transportation             | \$1,489,460          | \$415,863                             | 27.92%                      | 20.76%                    | ●                  |
| Engineering & Environ Svcs       | \$2,966,030          | \$790,625                             | 26.66%                      | 33.49%                    | ●                  |
| Other Environmental Protection   | \$90,444             | \$90,444                              | 100.00%                     | 100.00%                   | ●                  |
| Open Space Management            | \$268,484            | \$168,484                             | 62.75%                      | 65.36%                    | ●                  |
| Planning                         | \$1,307,159          | \$326,790                             | 25.00%                      | 12.08%                    | ●                  |
| Cooperative Extension Service    | \$2,747,228          | \$499,896                             | 18.20%                      | 37.16%                    | ●                  |
| Soil And Water Conservation      | \$808,988            | \$220,022                             | 27.20%                      | 31.31%                    | ●                  |
| Economic Development             | \$5,069,977          | \$350,499                             | 6.91%                       | 32.30%                    | ●                  |
| Public Health                    | \$38,715,543         | \$19,692,011                          | 50.86%                      | 40.93%                    | ●                  |
| Mental Health                    | \$8,490,794          | \$8,490,794                           | 100.00%                     | 100.00%                   | ●                  |
| Social Services                  | \$58,071,563         | \$17,319,226                          | 29.82%                      | 31.50%                    | ●                  |
| Comm-Bd Interv And Supp Serv     | \$3,066,806          | \$327,947                             | 10.69%                      | 0.00%                     | ●                  |
| Other Human Services             | \$657,383            |                                       |                             | 35.01%                    | ●                  |
| Durham Public Schools            | \$177,151,627        | \$59,050,542                          | 33.33%                      | 33.33%                    | ●                  |
| Community Colleges               | \$9,743,434          | \$3,247,811                           | 33.33%                      | 33.33%                    | ●                  |
| Other Education                  | \$7,709,399          | \$6,112,250                           | 79.28%                      | 33.24%                    | ●                  |
| Library                          | \$13,302,446         | \$4,905,207                           | 36.87%                      | 38.17%                    | ●                  |
| Other Cultural & Recreational    | \$2,411,341          | \$2,067,842                           | 85.75%                      | 89.06%                    | ●                  |
| Nondepartmental                  | \$184,265,609        | \$12,116,345                          | 6.58%                       | 5.02%                     | ●                  |
| <b>Total</b>                     | <b>\$663,138,474</b> | <b>\$185,455,903</b>                  | <b>27.97%</b>               | <b>26.49%</b>             |                    |

- Current year expenditures are up to 2% greater than 4-year same quarter average
- Current year expenditures are between 2% to 5% greater of 4-year same quarter average
- Current year expenditures are more than 5% greater than 4-year same quarter average



# Quarterly Budget Report

## *First Quarter of Fiscal Year 2022-23*



General Fund, Capital Improvement Fund and Reappraisal Reserve Fund expenditures and encumbrances through September 30, 2022, total \$185,455,903 or 27.97% of the budget. The percentage is slightly higher than the 4-year average of 26.49%.

It should be noted that the expenditure budget total of \$663.14 million is higher than the revenue budget of \$649,819,186 because the annual encumbrance rollover process had yet to be completed when the quarter ended. \$15,530,178 of FY 2021-22 expenditures were rolled over to FY 2022-23 because the bills were not able to be paid until FY 2022-23. The expenditure budget reflects this increase, while the revenue budget, at the end of the quarter, did not. Since the end of the quarter a budget amendment has been approved by the Board of County Commissioners allocating \$15.5 million of available fund balance (a revenue) to offset this expense. This is an annual occurrence, and normally such differences are not reflected in this 1<sup>st</sup> quarter report.

During the first quarter, expenditure percentages for some departments exceeded the 4-year average spending levels due in part to the timing of encumbered contracts. Based on past trends, as the fiscal year progresses, a normal expenditure pattern usually emerges. All expenditure levels were reviewed and a brief explanation for those trending at the higher levels noted in red follows below.

### **Agency specific expenditure items in red include:**

- **General Services:** General Services expenditures have increased for reasons that include unexpected increases to contracted security and janitorial services, and inflation-driven cost increases for items such as HVAC repairs, fleet maintenance/repair, and gasoline. If spending patterns continue at this rate, a budget amendment will be brought before the Board of Commissioners for further discussion and consideration. The Budget Office and General Services are closely monitoring these expenditures.
- **Geographic Information Systems:** Geographic Information Systems, or GIS, is a joint city-county department that resides in the city. The County's first quarter quarterly payment to the city was not captured in first quarter actuals in FY 2021-22 or FY 2020-21, but it is reflected in the current fiscal year actuals. This gives the appearance of an over-expenditure, but there is no cause for concern.
- **Other Transportation:** The entire annual amount of GoTriangle grant funding (\$196,100) used to support ACCESS transit services was encumbered in the first quarter. That encumbrance will be expended over the course of the FY 2022-23 fiscal year to pay Durham City invoices. Also, the area appears to be trending higher in current year spending because the ACCESS fund center and one FTE were moved to "Other Transportation" beginning in FY 2021-22, and thus the previous 4-year comparison is no longer valid. There is no concern for overspending in this area.
- **Planning:** Planning, like GIS, is a joint city-county department that resides in the city. The County's first quarter quarterly payment to city — which is made in monthly payments — is captured in the FY 2022-23 budget, but it is not reflected in the first quarter actuals in FY 2020-21 and FY 2021-22. There is no cause for concern.



# Quarterly Budget Report

## *First Quarter of Fiscal Year 2022-23*



- **Public Health:** Public Health's overall expenditure budget is on track with the previous four year average spending in all areas except School Health. There has been an additional 1+ million spent in School Health compared to previous fiscal year. Several School Health FTE's have been filled within the first year increasing personnel costs coupled with an increase in Miscellaneous Contracted Services spending to fund temporary positions to meet demand for School Health needs, Public Health has overspent their School Health budget in the first quarter compared to other years. While the first year quarter is overspent, this is due to startup costs for several hired positions, Public Health is not expected to exceed their School Health budget in subsequent FY 2022-23 quarters. There is no cause for concern.
- **Community Intervention and Support Services:** Community Intervention and Support Services (CISS) is Durham County's newest department with no historical expenditure or revenue history. With no historical expenditure data, Community Intervention and Support Services will continue to look as if it is overexpending its budget until the department has enough historical expenditures to make accurate comparisons. There is no cause for concern with overexpenditure in CISS.
- **Other Education:** Unlike in previous fiscal years the funding for Pre-K services is showing as encumbered (planned to be spent over the year) in the first quarter of FY 2022-23. Therefore, the percentage spent or encumbered is displaying significantly higher than prior fiscal years. Expenditures will not exceed budgeted amounts.





# Quarterly Budget Report

## *First Quarter of Fiscal Year 2022-23*



### SUMMARY

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FY 2022-23 first quarter summary information looks steady and encouraging. Durham County is, and has been, privileged to be an oasis of economic stability and growth. Total revenue collection is higher than average, and expenditures are slightly higher than the 4-year average. However, with three quarters of the year left there is still plenty of time for significant changes to this early trending.

Economic growth could slow over coming months affecting sales tax, occupancy tax, and state hold harmless revenue collection for the worse. While at the same time inflation and other unexpected costs could increase the spending pace for the County. A healthy General Fund fund balance can handle any “one time” major spending issues, while continued property tax valuation growth and near perfect collection rate will generally buffer any revenue collection anomalies. But it should be remembered that continued judicious decision making by the Board and management will also smooth out any potential revenue or expenditure disturbances.

By the end of the second quarter significant property tax revenue and three months of sales tax revenue will have been collected. This 2<sup>nd</sup> quarter report will solidify any general trending the County may experience.