



MINUTES

Tuesday, January 20, 2026: 3:00 PM

Town Council Work Session

C. Michael Haney Community Room: Southern Pines Police Department
450 W. Pennsylvania Ave

1. CALL TO ORDER

Mayor Clement called the meeting to order. The following members of Town Council were present: Mayor Taylor Clement; Bill Pate; Ann Petersen; Debra Gray; and Brandon Goodman.

2. PLEDGE OF ALLEGIANCE

3. TOWN MANAGER'S COMMENTS

Town Manager Reagan Parsons reviewed the agenda.

4. ACTION ITEMS

a. Review and Request Adoption of the FY25 Audit

Finance Director Brubaker-Speis and representatives of Mauldin & Jenkins, our audit firm, will present the FY25 audit and request adoption.

Finance Director Tess Brubaker-Speis introduced Lee Ann Bagasala from Mauldin & Jenkins and shared that the audit was delayed due to the federal government shutdown, affecting the availability of necessary guidance documents.

Ms. Bagasala introduced herself and members of the audit team and proceeded to review the audit report. Ms. Bagasala informed the Council that the audit opinion is unmodified or clean, indicating no material weaknesses or significant deficiencies and covered federal and state programs including ARPA funding, Clean Water State Revolving funds, and Powell bill funds.

Audit Opinions and Compliance Reports

- The audit team issued four audit opinions, all of which were clean.
- Required communications and GASB standards were discussed.
- The audit team provided recommendations for process and internal control improvements.
- The town's financial statements were reviewed for significant accounting policies and management estimates.

Town Management and Audit Adjustments

- The audit team reported full cooperation from town management.
- A management representation letter was signed, confirming the accuracy of the information provided.
- The audit team did not find any significant issues or disclosures requiring further attention.
- One audit adjustment was made, related to payroll benefit expenses, which was deemed immaterial.

Discussion ensued with Councilmembers requesting clarification on the liability understatement related to compensated absence and the selection of audit topics or strategic methodology for picking grants.

The Council commended staff on their working relationship with the Audit team.

Councilmember Petersen moved to adopt the Fiscal Year 2025 Audit, seconded by Councilmember Curtin; the vote was unanimous.
Motion passed.

b. Approve Resolution #1143 to Modify the Capitalization Threshold for Leases and Subscription-Based Information Technology Arrangements

Staff recommends increasing the Town's capitalization threshold for GASB 87 Leases and GASB 96 Subscription-Based Information Technology Arrangements from \$20,000 to \$50,000. This is a threshold that determines whether an agreement is reported on the Town's financial statements as a right-to-use asset. The threshold for recognizing all other capital assets would remain at \$20,000, which was last updated in 2023.

Councilmember Petersen requested that GASB be defined within the body of the resolution.

Finance Director Brubaker-Speis reviewed the request for the Council.

Mayor Pro Tem Pate moved to approve Resolution #1143 to Modify the Capitalization Threshold for Leases and Subscription-Based Information Technology Arrangements, seconded by Councilmember Petersen; the vote was unanimous.

Motion passed.

c. Ordinances #3158 & #3159 - Budget Amendments - FEMA Reimbursement from Tropical Storm Chantal

Ordinances amending the General Fund and Utility Fund for FEMA reimbursement and expenditures related to Tropical Storm Chantal response. Labor and equipment costs are excluded since they are expected to be absorbed within existing budgeted funds; however, they may be eligible for FEMA reimbursement. Longleaf Dam Sewer Line repairs and relocation are also excluded, as design and estimates/quotes for the work are still underway.

Finance Director Brubaker-Speis reviewed the request for the Council.

Discussion ensued on FEMA reimbursements for Tropical Storm Chantal and noted the outstanding project reimbursement for the Longleaf sewer line and dam failure..

Mayor Pro Tem Pate moved to adopt Ordinances #3158 & #3159 Budget Amendments, seconded by Councilmember Gray; the vote was unanimous.

Motion passed.

d. Approve Resolution #1142 — Directing the Clerk to Investigate an Annexation Petition Received Under G.S. 160A-31

A petition has been received requesting the annexation of 609 Clark Street to allow the owner to access the Town's utilities.

Town Manager Parson reviewed the request for the Council.

Mayor Pro Tem Pate moved to approve Resolution #1142 - Directing the Clerk to Investigate an Annexation Petition Received Under G.S. 160A-31, seconded by Councilmember Petersen; the vote was unanimous.

Motion passed.

e. Written Decision for The Oaks Major Subdivision

Planning staff have prepared a draft Written Decision summarizing Town Council approval of MAPP-05-25, The Oaks Major Subdivision.

Planning Director BJ Grieve presented the item to the Council.

Discussion ensued regarding the Written Decision.

Councilmember Curtin moved to approve the Written Decision for The Oaks Major Subdivision, seconded by Mayor Pro Tem Pate; the vote was unanimous.
Motion passed.

f. Written Decision for Trimble Plant Road PDP

Planning staff have prepared a draft Written Decision summarizing Town Council approval of PD-06-25, Trimble Plant Road Preliminary Development Plan.

Planning Director BJ Grieve presented the item to the Council.

Discussion ensued regarding the Written Decision and Planning staff noted that the Written Decision was emailed to the applicant twice without any response, but the decision contains no conditions, so moving forward should not be an issue.

Mayor Pro Tem Pate moved to approve the Written Decision for Trimble Plant Road PDP, seconded by Councilmember Curtin ; the vote was unanimous.
Motion passed.

g. Resolution #1141 Adopting the Cape Fear Hazard Mitigation Plan

Moore County has been working along with representatives from its municipalities toward a Cape Fear Hazard Mitigation Plan. The Final draft, including background and purpose, can be reviewed at [Cape Fear RHMP 12.2.25 - Adobe cloud storage](#)

As a result of the Disaster Mitigation Act of 2000 and NC Senate Bill 300 each local government, including counties, cities, towns, and villages are required to have an approved Hazard Mitigation Plan in order to apply for hazard mitigation funding. The types of plans throughout North Carolina vary from multi-jurisdictional plans, town plans, city plans, and some village plans. North Carolina has approximately 180 hazard mitigation plans that must be updated every five years.

The counties of Moore, Chatham, Lee, Harnett, Johnston and their incorporated jurisdictions have developed a regional hazard mitigation plan with the assistance of a contractor. This plan incorporates five (5) multi-jurisdictional hazard mitigation plans into one (1) regional plan. The Southern Pines Fire Department regularly participates in the Hazard Mitigation Planning Meetings along with other counties and municipalities of this region.

Town Manager Parsons presented the request to the Council.

The Council appreciates the efforts of Chief Cameron and the fire department in developing the plan.

Councilmember Gray moved to adopt Resolution #1141 — Adopting the Cape Fear Hazard Mitigation Plan, seconded by Councilmember Petersen; the vote was unanimous.

Motion passed.

h. Ordinance #3160 updating the Town Code regarding Utility late fees and shutoffs

Follow up from October 2025 temporary suspension of late fees and disconnections for past due balances of water and sewer fees.

Town Manager Parson and Finance Director Brubaker-Speis presented the request to the Council.

Discussion ensued regarding the suspension and impact of removing the \$6 late fee and \$20 shut off fee as well as the importance of maintaining a fair policy for utility customers.

Councilmember Gray moved to approve Ordinance #3160 - Updating the Town Code of Ordinances regarding Utility late fees and shutoffs, seconded by Councilmember Curtin; the vote was unanimous.
Motion passed.

5. COUNCIL UPDATES AND DISCUSSION

a. Discussion regarding Outdoor Special Event permitting

Staff wishes to discuss with the Town Council current rules and Codes around alcohol and permitted events and whether changes in current Codes are desired.

Town Manager Parsons, Deputy Chief Robert Heaton, Recreation Director Greg Thompson and Town Attorney Mac McCarley were present to discuss outdoor special event permitting.

Discussion ensued regarding the current limitations on permits, including alcohol sales, and considered expanding the types of beverages allowed under the OSC permit. Input was requested from the Police and Recreation Departments on best practices and revenue generation.

Also discussed was:

- complexity of reviewing event applications
- different considerations for events in neighborhoods versus downtown areas
- operational-based policy for event approvals, focusing on event size and potential damage
- profitable versus non-profit events and potential for bias
- security and emergency services impact
- scheduling events that conflict with town-based programs

b. Whitehall Sitework Update

Providing council with an update on work related to the Whitehall Carriage House and site. Including completed, in-progress and pending projects; as well as an update on current budget spending.

Asst. Town Manager Jessica Roth presented an update of the work at Whitehall, including tree removals and grading for a new driveway and parking lot..A budget amendment is requested to cover the remaining quoted costs and expedite the project completion.

The Council supports the request and advises staff to move forward on the budget ordinance.

c. Planning Department Update

Planning staff will briefly update the Town Council on agenda items coming in February. Staff will also present a brief list of projects to be considered for Phase 3 of Comprehensive Plan implementation.

Planning Director Grieve presented an update on the following items:

- Historic District Plan and the need to review and refresh it to reflect current conditions and values.
- Comprehensive Plan and Implementation updates noting significant progress in meeting short-term priorities.
- Upcoming files for the February meeting agenda include character districts, landscaping, and tree protection amendments.
- temporary signage amendments during municipal elections

6. COUNCIL ROUNDTABLE

Mayor Pro Tem Pate

- expressed his confidence in the Town's checks and balances to prevent mismanagement of funds.

Councilmember Curtin

- feels the last full survey was in 2010 and would like more information on the Historic District planning priorities. Councilmember Curtin asks for:

1. Brief summary of coverage of survey
2. Recent spot checks or surveys
3. Plan or time for future updates
4. How the insights from West Southern Pines informed the main district's efforts

Mayor Clement had nothing significant to share.

Councilmember Gray

- Martin Luther King Jr. weekend events, including the postponement of the Sunday service, due to weather, to the West Southern Pines Cultural and History Center (25th at 3:30 pm)
- praises the finance team for their efficient operations

Councilmember Petersen

- commends Councilmember Curtin on his efforts
- interested in the integration of the Historic District with the Town's current goals. Believes that Planner II Mason Mattox will provide valuable insight and education on the Historic District.
- suggest meeting with the multi-modal committee to better understand their activities and align their expectations with our own
- Political signs issues and feels that the Town should dovetail with the state regulations.
- questioned if partial implementation of the tree amendments is possible.

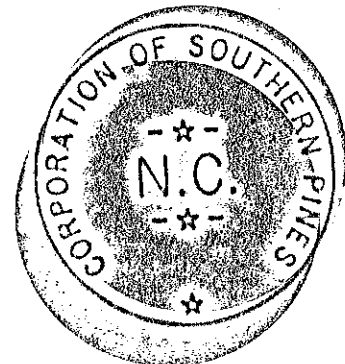
7. ADJOURNMENT

Upon motion by Councilmember Gray, seconded by Mayor Pro Tem Pate and carried unanimously, Council adjourned at 5:32 pm.

Motion passed.

Respectfully submitted:


Elizabeth Robertson, Town Clerk





CASE NUMBER: MAPP-05-25

**FINDINGS OF FACT, DECISION OF THE BOARD, AND ORDER IN THE MATTER
OF A MAJOR SUBDIVISION PRELIMINARY PLAT APPLICATION FOR “THE
OAKS” MAJOR SUBDIVISION**

DESCRIPTION OF MATTER

Barczak Engineering Services, on behalf of Fernando Rebollar Silva, LLC, submitted a Major Subdivision Preliminary Plat application pursuant to the Town of Southern Pines Unified Development Ordinance (UDO) §2.20. The subject property is located on the north side of Country Club Circle. Per the Moore County tax records, the property is identified as PARID 20210259, which comprises ± 2.7 -acres and is owned by Fernando Rebollar Silva, LLC.

A public evidentiary hearing regarding the proposed Major Subdivision Preliminary Plat (MAPP) for “The Oaks” Major Subdivision was called to order with five members present on December 9, 2025. The oath was administered to all witnesses choosing to speak. Planning staff entered the December 9, 2025 Staff Report as Exhibit A and staff’s December 9, 2025 presentation as Exhibit B. After closing the hearing, the Town Council discussed and voted on the draft findings of fact. Detailed discussion during the evidentiary hearing can be found in the meeting minutes on record in the Town Clerk’s office and online.

FINDINGS OF FACT

1. The Town Council finds that the application is complete and that the facts submitted are relevant to the case because the request for Major Subdivision Preliminary Plat approval has met the specified submittal requirements as required in the Town of Southern Pines UDO Appendices, the applicants have submitted adequate evidence addressing criteria for a Preliminary Plat, and the evidence submitted was sworn testimony by qualified experts or provided through substantiated documentation.
2. The Town Council finds that the application complies with UDO §2.20.4(G), Criterion 1 (the application is consistent with the Comprehensive Plan, as well as other adopted plans for streets, alleys, parks, playgrounds, and public utility facilities) in that the Preliminary Plat aligns with the 2040 Comprehensive Plan. The proposed subdivision is consistent with the General Framework Map and Conservation and Development Maps, which categorize the site as an “Area to Enhance”. The subject property is located less than one mile from the downtown area, offering convenient pedestrian access to nearby services and amenities. Comprehensive Plan Policy 5.2 emphasizes the importance of encouraging infill development within the town limits where existing utility infrastructure can be efficiently extended. Water and sewer service are available for extension to the proposed lots along

Country Club Circle. Overall, the proposed six-lot subdivision is compatible with the surrounding RS-1 and RS-2 neighborhoods and supports context-sensitive residential development. The subdivision layout and associated improvements are consistent with the approved Conditional Rezoning (File #Z-06-25), upon which this Major Subdivision Application (MAPP-05-25) is based.

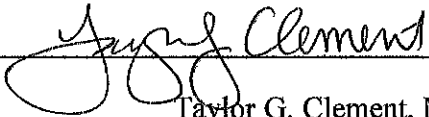
3. The Town Council finds that the application complies with UDO §2.20.4(G), Criterion 2 (the proposed subdivision complies with the UDO and applicable state and federal regulations) in that all applicable UDO, state, and federal regulations have been addressed, or will be addressed during site plan review. The proposed Major Subdivision is consistent with the subject property's zoning, RS-1CD, with the imposition of the conditions tied to the approved file of Z-06-25.
4. The Town Council finds that the application complies with UDO §2.20.4(G), Criterion 3 (the proposed Subdivision, including its Lot sizes, density, access, and circulation, is compatible with the existing and/or permissible zoning and future land use of adjacent property) in that the applicant is following RS-1 zoning standards from the UDO, with the exception of modified standards detailed in the rezoning file Z-06-25. The modifications found and approved in Z-06-25 are consistent with those proposed in the Preliminary Plat.
5. The Town Council finds that the application complies with UDO §2.20.4(G), Criterion 4 (the proposed subdivision will not have detrimental impacts on the safety or viability of permitted uses on adjacent properties) in that the project does not present a safety or viability concern for the surrounding area.
6. The Town Council finds that the application complies with UDO §2.20.4(G), Criterion 5 (the proposed public facilities are adequate to serve the normal and emergency demands of the proposed development, and to provide for the efficient and timely extension to serve future development) in that town utilities are readily available for extension to the proposed lots. Furthermore, site plan review by the Technical Review Committee will ensure that the site adequately meets water, fire flow, and sewer requirements.

CONCLUSION AND DECISION

Therefore, by a vote of 5-0, the Town Council voted to approve "The Oaks" Major Subdivision, MAPP-05-25, as presented.

This is the 20th day of January, 2026.

FOR THE TOWN COUNCIL:


Taylor G. Clement, Mayor




ORDINANCE #3158
AMENDING THE 2025-2026 FISCAL YEAR BUDGET
Tropical Storm Chantal Repairs

BE IT ORDAINED AND ESTABLISHED by the Town Council of the Town of Southern Pines in regular session assembled this 20th day of January, 2026 that the Operating Budget for the Fiscal Year 2025-2026 be and hereby is amended as follows:

<u>DEPARTMENT</u>	<u>LINE ITEM</u>	<u>CODE</u>	<u>INCREASE</u>	<u>DECREASE</u>
Administration	Disaster Relief Expenses	10-420-1000	\$87,599	
General Fund	FEMA/Disaster Relief Revenue	10-348-0000	\$87,599	

I certify that this ordinance was adopted by the Town Council of the Town of Southern Pines at its meeting of January 20, 2026 as shown in the minutes of the Town Council for that date.


Elizabeth Robertson, Town Clerk






**ORDINANCE #3159
AMENDING THE 2025-2026 FISCAL YEAR BUDGET
Tropical Storm Chantal Repairs**

BE IT ORDAINED AND ESTABLISHED by the Town Council of the Town of Southern Pines in regular session assembled this 20th day of January, 2026 that the Operating Budget for the Fiscal Year 2025-2026 be and hereby is amended as follows:

<u>DEPARTMENT</u>	<u>LINE ITEM</u>	<u>CODE</u>	<u>INCREASE</u>	<u>DECREASE</u>
Sewer	Disaster Relief Expenses	60-740-1000	\$ 168,050	
Utility Fund	FEMA/Disaster Relief Revenue	60-348-0000	\$ 168,050	

I certify that this ordinance was adopted by the Town Council of the Town of Southern Pines at its meeting of January 20, 2026 as shown in the minutes of the Town Council for that date.


Elizabeth Robertson, Town Clerk





ORDINANCE #3160
AMENDING THE TOWN'S CODE OF ORDINANCES
CHAPTER 50.005


BE IT ORDAINED by the Town Council of the Town of Southern Pines, North Carolina, duly assembled in regular session on January 20, 2026, that the Town of Southern Pines Code of Ordinances is hereby amended as follows:

1. §50.005: RATES, FEES, AND CHARGES (B) is repealed in its entirety and replaced with the following:

(B) All bills are due and payable upon receipt and the service will be cut off after the twenty-fifth of each month, in accordance with § 50.013. There will be a service charge for reconnection service during normal business hours, or a service charge for reconnection at other than normal business hours (see [Appendix](#)). If a customer's history shows no previous cut-offs in the last 12 months, the cut-off fee will be waived and the water not turned off. A customer will not be cut-off for a balance of \$100 or less. A customer who will be out-of-Town may request in writing that his or her water be turned off. When the meter is turned back on, an administrative fee as shown in Appendix A of this chapter will be charged to the account.

Adopted this 20th day of January, 2026.

I hereby certify that the foregoing ordinance was duly adopted by the Town Council of the Town of Southern Pines at its regular meeting held on January 20, 2026, as shown in the official minutes of the Town Council.


Elizabeth Robertson, Town Clerk





RESOLUTION #1141
ADOPTING THE CAPE FEAR REGIONAL HAZARD MITIGATION PLAN

WHEREAS, the citizens and property within the Town of Southern Pines are subject to the effects of natural hazards that pose threats to lives and cause damage to property, and with the knowledge and experience that certain areas of the county are particularly vulnerable to drought, extreme heat, hailstorm, hurricane and tropical storm, lightning, thunderstorm wind/high wind, tornado, winter storm and freeze, flood, hazardous material incident, and wildfire; and

WHEREAS, the Town desires to seek ways to mitigate the impact of identified hazard risks; and

WHEREAS, the Legislature of the State of North Carolina has in Article 5, Section 160D-501 of Chapter 160D of the North Carolina General Statutes, delegated to local governmental units the responsibility to adopt regulations designed to promote the public health, safety, and general welfare of its citizenry; and

WHEREAS, the Legislature of the State of North Carolina has enacted General Statute Section 166A-19.41 (*State emergency assistance funds*) which provides that for a state of emergency declared pursuant to G.S. 166A-19.20(a) after the deadline established by the Federal Emergency Management Agency, the eligible entity shall have a hazard mitigation plan approved pursuant to the Stafford Act; and.

WHEREAS, Section 322 of the Federal Disaster Mitigation Act of 2000, as amended, states that local governments must develop an All-Hazards Mitigation Plan in order to be eligible to receive future Hazard Mitigation Grant Program Funds and other disaster-related assistance funding and that said Plan must be updated and adopted within a five-year cycle; and

WHEREAS, the Town has performed a comprehensive review and evaluation of each section of the previously approved Hazard Mitigation Plan and has updated the said plan as required under regulations at 44 CFR Part 201 and according to guidance issued by the Federal Emergency Management Agency and the North Carolina Division of Emergency Management, and that the plans have been updated in accordance with federal laws including the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended; the National Flood Insurance Act of 1968, as amended; as required under regulations at 44 CFR Part 201, and according to guidance issued by the Federal Emergency Management Agency and the North Carolina Division of Emergency Management; and

WHEREAS, it is the intent of the Southern Pines Town Council to fulfill this obligation in order that the Town will be eligible for federal and state assistance in the event that a state of disaster is declared for a hazard event affecting the Town;

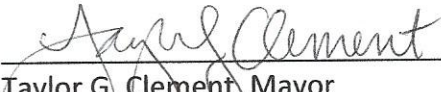
NOW, THEREFORE, be it resolved that the Southern Pines Town Council hereby:

1. Adopts the Cape Fear Regional Hazard Mitigation Plan.
2. Vests Southern Pines Fire Department with the responsibility, authority, and the means to:
 - (a) Inform all concerned parties of this action.
 - (b) Cooperate with Federal, State and local agencies and private firms which undertake to study, survey, map and identify floodplain areas, and cooperate with neighboring communities with respect to management of adjoining floodplain areas in order to prevent exacerbation of existing hazard impacts.
3. Appoints the Southern Pines Fire Department to assure that the Hazard Mitigation Plan is reviewed annually and every five years as specified in the Plan to assure that the Plan is in

compliance with all State and Federal regulations and that any needed revisions or amendments to the Plan are developed and presented to the Southern Pines Town Council for consideration.

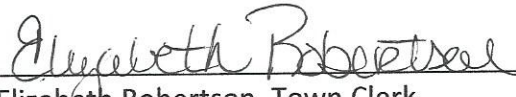
4. Agrees to take such other official action as may be reasonably necessary to carry out the objectives of the Hazard Mitigation Plan.

Adopted this the 20th day of January, 2026.



Taylor G. Clement, Mayor
Town of Southern Pines

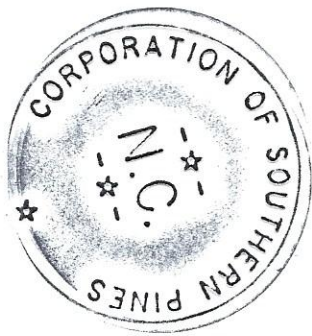
Attest:



Elizabeth Robertson, Town Clerk
Town of Southern Pines

Certified by: Elizabeth Robertson (SEAL)

Date: 1-20-2026





RESOLUTION #1142
DIRECTING THE CLERK TO INVESTIGATE A PETITION RECEIVED UNDER
G.S. 160A-31
AX-01-26: 609 Clark Street

WHEREAS, a petition requesting annexation of an area described in said petition was received on January 7, 2026, by the Town Council of the Town of Southern Pines; and


WHEREAS, G.S. 160A-31 provides that the sufficiency of the petition shall be investigated by the Town Clerk before further annexation proceedings may take place; and

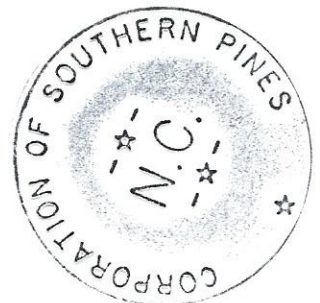
WHEREAS, the Town Council of the Town of Southern Pines deems it advisable to proceed in response to this request for annexation;

NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Southern Pines that the Town Clerk is hereby directed to investigate the sufficiency of the above-described petition and to certify as soon as possible to the Town Council the result of her investigation.

Adopted this 20th day of January, 2026.

I certify that this Resolution was adopted by the Town Council of the Town of Southern Pines at its meeting on January 20, 2026, as shown in the Minutes of the Town Council meeting for that date.


Elizabeth Robertson, Town Clerk





**RESOLUTION #1143
TO MODIFY THE TOWN'S CAPITALIZATION THRESHOLDS FOR LEASES AND
SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS
("SBITAS")**

WHEREAS, the Town of Southern Pines owns and maintains control over a variety of capital assets. The Town currently defines capital assets as those that have a useful life beyond a single reporting period and exceed a monetary threshold of \$20,000; and

WHEREAS, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87 (Leases), GASB Statement No. 96 (Subscription-Based Information Technology Arrangements), and the Town's Resolutions #1048 and #1077 adopted on June 13, 2023 and November 14, 2023, respectively, the Town currently uses the same monetary threshold to determine whether a lease or SBITA is material to the Town's financial statements; and

WHEREAS, capitalizing an asset is primarily a financial reporting matter to guide what assets are reported on the Town's financial statements. Continuing to maintain a threshold at \$20,000 for leases and SBITAs is not efficient and can over-burden the anticipated information needs for users of the Town's external financial reports. The Government Finance Officers Association (GFOA) acknowledges that maintaining an artificially low capitalization threshold leads to reporting data on numerous smaller items, which can be costly and difficult to maintain and operate; and

WHEREAS, upon review of audit recommendations, materiality, administrative burden, and industry practices, the Finance Department recommends increasing the capitalization threshold of right-to-use lease and subscription assets to \$50,000; and

WHEREAS, staff recommends maintaining the capitalization threshold of \$20,000 for all other capital assets; and

WHEREAS, the Town Council finds that revising this threshold is reasonable, materially appropriate, and in the best interest of sound financial management.

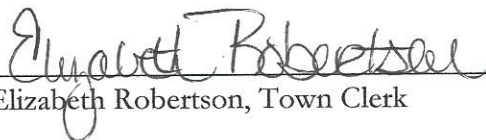
NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Southern Pines, North Carolina in regular session assembled this 20th day of January, 2026, that:

1. The Town's threshold for defining capital assets is as follows:
 - a. A capital asset, also known as a fixed asset, is a long-term tangible or intangible asset that the Town acquires or constructs and then uses in its operations. Capital assets have a useful life of at least two years or more.
 - b. The monetary threshold for defining capital assets, except for right-to-use lease and subscription assets, is \$20,000 or more. Items that are below this amount are reported as an "expense" or "expenditure" in the period in which they were acquired.
 - c. Direct costs represent expenditures that can be uniquely and directly linked to a specific capital project or asset, such as materials, labor, equipment, and other resources. These costs are incurred for the sole purpose of initiating, developing, constructing, acquiring, or enhancing a particular project or asset.
 - d. Indirect costs are typically administrative, overhead, or operational expenses that the Town may incur to purchase or construct a capital asset. Indirect costs are excluded from the capitalization threshold so the Town's financial statements represent the clear and accurate costs for each capital project and asset.
2. For purposes of reporting in compliance with GASB Statements No. 87 and 96, the Town of Southern Pines will exclude those right-to-use lease and subscription assets which are clearly immaterial to the financial statements based on a materiality threshold.
3. The lease asset is defined as the present value of remaining future lease payments during the lease term (the lease liability) plus prepaid lease payments, less any lease incentives received prior to the commencement of the lease term.
4. For lease assets, the materiality threshold equals \$50,000.
5. The SBITA asset is defined as the present value of lifetime subscription payments (the subscription liability) plus capitalized project costs.
 - a. Project costs are cash outlays for activities associated with selecting, implementing,

and maintaining SBITAs. Project costs are in addition to subscription payments.

6. If the SBITA asset is used alone and not in combination with a tangible capital asset, the materiality threshold equals \$50,000.
7. If a SBITA is used in combination with a tangible capital asset that meets the definition of a lease in GASB 87, the Town separates lease components from SBITA components and accounts for each component in accordance with the applicable GASB guidance and materiality threshold.
 - a. If separation of components is not practicable, the Town accounts for the combined contract based on the predominant component, using professional judgment.
8. This Resolution replaces Resolutions #1048 and #1077 adopted by Town Council on June 13, 2023 and November 14, 2023, respectively.
9. The Town Council reserves the right to adjust these thresholds from time to time as may be needed or recommended for audit purposes.
10. This Resolution is effective retroactively to July 1, 2025.

I certify that this resolution was adopted by the Town Council of the Town of Southern Pines at its meeting of January 20, 2026 as shown in the minutes of the Town Council for that date.


Elizabeth Robertson, Town Clerk

