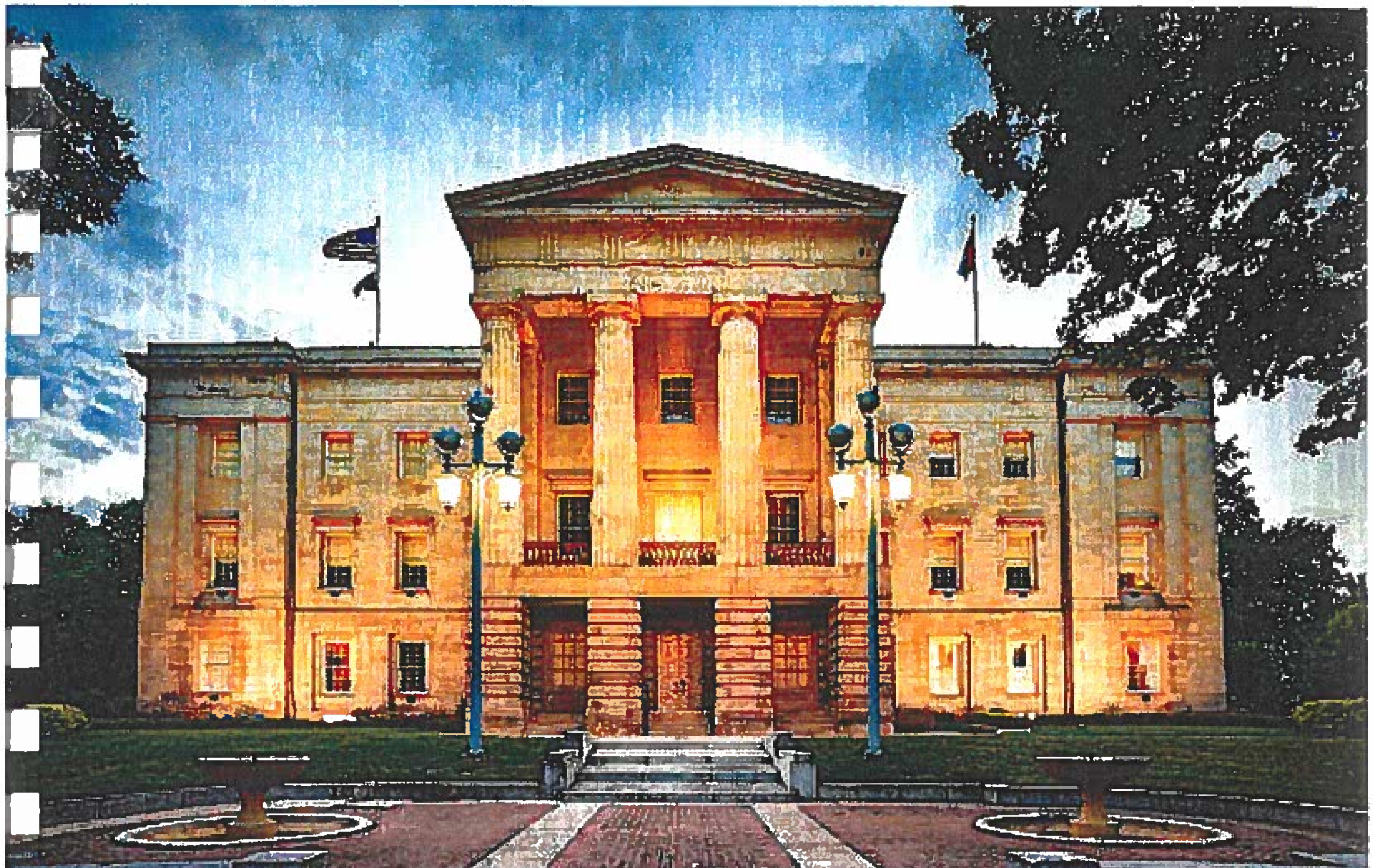


Town of Holden Beach

Proposal for Audit Services, 2026-2028

Section 1 – Audit proposal

Marcela J. Spivey, CPA
Audit Partner
Phone: (828) 327-2727
Email: mspivey@msa.cpa

Martin·Starnes & Associates, CPAs, P.A.

TOWN OF HOLDEN BEACH

PROPOSAL FOR AUDIT SERVICES

MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.

EXECUTIVE SUMMARY/SCOPE

Our engagement will entail conducting an audit of the Town of Holden Beach's financial statements in accordance with auditing standards generally accepted in the United States. This includes auditing the Town's adherence to the requirements of its major federal and state programs under Title 2 U.S. *Code of Federal Regulations (CFR) Part 200,* (Uniform Guidance), and the State Single Audit Implementation Act. Additionally, we will evaluate the Town's compliance with relevant laws and regulations, and the design of its internal control systems as mandated by Generally Accepted Government Auditing Standards (GAGAS "Yellow Book"). Our audit report will incorporate an "in relation to" paragraph that specifically addresses the Schedule of Expenditures of Federal and State Awards, if required.

We are committed to executing the audit within the timelines stipulated in the RFP, ensuring all necessary financial and compliance information for all funds is complete. The audit report, management letter, and other relevant documents will be delivered to the Finance Director in a timely fashion each engagement year. We will collaborate with the Town of Holden Beach to establish a mutually agreed-upon audit calendar aligned with the requested completion dates. Regular conferences throughout the audit process, along with an exit conference upon fieldwork completion, will be conducted. Additionally, we will present the financial statements to the Board of Commissioners at a mutually convenient time each year while also adhering to required deadlines.

Our fees encompass technical assistance and guidance on new note disclosures and GASB pronouncements throughout our audit engagement. The audit contract will align with the standards of the North Carolina Local Government Commission (LGC), receiving approval from the Secretary of the Commission or their designee before the audit begins. All invoices will be submitted to the LGC for authorization before being presented to the Town of Holden Beach for payment.

Our firm is uniquely qualified to conduct the Town of Holden Beach's audit, evidenced by our:

- ✓ *Extensive experience as auditors for the Town*
- ✓ *Expertise in auditing governmental entities in North Carolina*
- ✓ *Unwavering dedication to the government sector*
- ✓ *Year-round availability to our clients*
- ✓ *Track record of providing specialized services to our governmental audit clients*
- ✓ *Ongoing commitment to education and training in the governmental audit field*

SECTION 1 – PROFILE OF THE FIRM

1. Indicate the number of people (by level) located within the local office that will handle the audit.

Our audit team is structured to ensure a comprehensive audit experience for our clients. For the Town's audit engagement, our team composition is described below.

Four to five members of our firm will conduct the audit engagement. Members to be assigned to the engagement are as follows:

Engagement Partner: The Audit Partner plays a pivotal role, extending from the initial staff planning meeting to the final approval and signing of the opinion letters and issuance of the audited financial statements. Our Partners are actively engaged in all phases of the audit, including scheduling, staffing, risk assessment, and audit plan approval. They also maintain direct communication with the Town's Finance Director for any audit-related concerns, findings, or service issues, ensuring decision-making is just a call away.

Senior Manager or Manager: The Manager oversees the entire engagement, which encompasses staff supervision, close client interaction, time budget monitoring, and ensuring timely delivery. They are responsible for reviewing audit workpapers and reconciling them with the financial statements. The Manager will be a familiar figure in the day-to-day management of the audit and client relationship.

Senior Accountant: The Senior Accountant is responsible for conducting the audit from fieldwork scheduling to the delivery of audit opinions, overseeing the first review of audit workpapers, and guiding the staff. They work directly with your Finance Department personnel.

Staff Accountant (1-2): Our Staff Accountants, all full-time employees, are integral to the support function of the engagement. Trained in Yellow Book standards, GASB standards, and our governmental audit approach, they are dedicated to our governmental auditing niche.

While we haven't assigned specific names to your proposed audit team, we ensure that the quality of our staff is consistent across all levels, and the team composition will be tailored to best match your staff and engagement complexities. Our Audit Partners' and Managers' resumes are provided within Attachment A.

Independence and Team Rotation

We strictly adhere to auditing standards of independence and take compliance with the standards seriously. Regular rotation of audit teams and partners is a standard practice, fostering a fresh perspective when needed and aligning with the unique risk areas of your audit.

Continuity and Expertise

Continuity is a cornerstone of our approach. Typically, three key personnel are familiar with each client's operations: a Partner, a Senior Manager or Manager, and a Senior Accountant. This ensures uninterrupted service despite any unforeseen staff changes. Our breadth of experience in local government audits in North Carolina, accounting for approximately 85% of our audit hours, reinforces our commitment to continuity. Additionally, our firm experiences lower staff turnover compared to industry averages, a testament to our stable and skilled workforce.

The audit team from Martin Starnes & Associates, structured to provide comprehensive service, will comprise professionals across various levels of experience and expertise. Our firm boasts a notably low turnover rate among our professional staff, a distinction that sets us apart in the public accounting industry both locally and nationally. This stability within our team ensures continuity and depth of knowledge in our audit engagements. Additionally, we are honored to have received several prestigious awards below, recognizing our commitment to excellence in the field:

	#1 "Best Accounting Firms to Work for 2025" for mid-sized firms in the United States by *Accounting Today*. We also claimed the #1 ranking in 2020 and 2023, the #2 ranking in 2021, and the #5 ranking in 2024. We have been recognized as a "Best Accounting Firms to Work For" in 2009-2010, 2012-2014, and 2019-2025.
	#3 "2025 Great Employers to Work for in North Carolina" for medium-sized companies by *Best Companies Group*. We received this same recognition and #1 ranking in 2022 and 2023 and the #2 ranking in 2024.
	#5 2025 Best Employers in North Carolina by *Business North Carolina* for medium-sized companies statewide. We received this award in 2014, 2015, 2017 - 2021, and 2023 - 2025 with a 1st place ranking among medium-sized companies in 2020 and 2021.
	#16 2025 Best Firms for Women by *Accounting Today*, with a 5th place ranking in 2023 and a 7th place ranking in 2021
	2021-2025 IPA Top 500 Firm by *INSIDE Public Accounting*, with a Top 400 ranking in 2021
	***LiveWell at Work (formally WellBusiness)* - each year from 2015 to 2021**
	***When Work Works* - 2016**
	***Bloom Award* - 2021**
	***2024 Regional Leaders* by *Accounting Today*, ranked as a Top Firm in The Southeast**

In addition, Martin Starnes & Associates is recognized as a Women-Owned Small Business (WOSB). This designation not only reflects our firm's diversity and inclusivity in business ownership but also our dedication to expanding our services and outreach in the governmental audit sector.

2. Provide a list of the local office's current and prior government audit clients, indicating the type(s) of services performed and the number of years served for each.

Below is a partial list of our current and past North Carolina governmental clients.

GOVERNMENTAL CLIENT	SERVICES PROVIDED	GFOA ACFR	SERVED SINCE
Alamance County	Audit, Single Audit	**	2011
Alexander County	Audit, Single Audit, Agreed-Upon Procedures		1995
Brunswick County	Audit, Single Audit	**	2004-2022
Cabarrus County	Audit, Single Audit	**	2020
Caldwell County	Audit, Single Audit		2007
Catawba County	Audit, Single Audit, Agreed-Upon Procedures	**	2001
Chatham County	Audit, Single Audit	**	2006
City of Albemarle	Audit, Single Audit	**	2019
City of Archdale	Audit, Single Audit	**	2020
City of Claremont	Audit, Single Audit		2020
City of Concord	Audit, Single Audit	**	2020
City of Gastonia	Audit, Single Audit	**	2001
City of Havelock	Audit, Single Audit	**	1999
City of Kings Mountain	Audit, Single Audit		2009
City of Lexington	Audit, Single Audit, Agreed-Upon Procedures	**	2000
City of Monroe	Audit, Single Audit	**	2014
City of Monroe TDA	Audit		2014
City of Mount Airy	Audit, Single Audit	**	2011
City of Mount Holly	Audit, Single Audit		2011
City of Salisbury	Audit, Single Audit	**	2022
City of Shelby	Audit, Single Audit	**	2011
City of Statesville	Audit, Single Audit	**	2016
City of Thomasville	Audit, Single Audit, Agreed-Upon Procedures		2007
City of Washington	Audit, Single Audit	**	2006
Cleveland County Water	Audit, Single Audit		2023
Davidson County	Audit, Single Audit	**	2005
Davie County	Audit, Single Audit, Agreed-Upon Procedures		2008
Gaston County	Audit, Single Audit, Agreed-Upon Procedures	**	2006
Gastonia TDA	Audit		2004
Greater Asheville Regional Airport Authority	Audit, Single Audit		2021
Halifax County	Audit, Single Audit	**	2001-2017

Governmental Client	Services Provided	GFOA ACFR	Served Since
Henderson County	Audit, Single Audit	**	2007-2021
Harnett County	Audit, Single Audit, Agreed-Upon Procedures		2010
Hoke County	Audit, Single Audit		2007
Iredell County	Audit, Single Audit, Agreed-Upon Procedures	**	2005
Jackson County	Audit, Single Audit		2020
Lee County	Audit, Single Audit	**	2005-2014
Lincoln County	Audit, Single Audit, Agreed-Upon Procedures	**	2004
Macon County	Audit, Single Audit	**	2000
Orange Water & Sewer Authority	Audit, Single Audit	**	2011
Pender County	Audit, Single Audit		2021
Pitt County	Audit, Single Audit, Agreed-Upon Procedures	**	1999
Pitt-Greenville Airport Authority	Audit, Single Audit		2019
Polk County	Audit, Single Audit	**	2021
Rowan County	Audit, Single Audit	**	2009
Stokes County	Audit, Single Audit		2006
Town of Beaufort	Audit, Single Audit		2018
Town of Boone	Audit, Single Audit		2025
Town of Calabash	Audit		2012
Town of Chapel Hill	Audit, Single Audit	**	2008-2023
Town of Cornelius	Audit, Single Audit	**	2010
Town of Dallas	Audit, Single Audit		2023
Town of Franklin	Audit, Single Audit		2008
Town of Granite Falls	Audit, Single Audit		1997
Town of Harrisburg	Audit, Single Audit		2022
Town of Huntersville	Audit, Single Audit	**	2006
Town of Lake Lure	Audit, Single Audit		2012-2023
Town of Maggie Valley	Audit		2008
Town of Matthews	Audit, Single Audit	**	2007
Town of Mint Hill	Audit, Single Audit		2025
Town of Pine Knoll Shores	Audit, Single Audit		2008
Town of Pineville	Audit, Single Audit	**	2010
Town of Rutherfordton	Audit, Single Audit		2017
Town of Waynesville	Audit, Single Audit		2022
Town of Wrightsville Beach	Audit, Single Audit	**	2012
Town of Zebulon	Audit, Single Audit	**	2024

Governmental Client	Services Provided	GFOA ACFR	Served Since
Transylvania County	Audit, Single Audit	**	2010
Western Piedmont Regional Transit Authority	Audit, Single Audit		2021
Wilkes County	Audit, Single Audit		2008
Wilson County	Audit, Single Audit	**	2013

For the fiscal year ended June 30, 2025, we were engaged to audit 23 counties, 44 municipalities, and various other governmental entities, totaling approximately 100 total governmental units. Our relationships with these clients, totaling over 1,300 cumulative years, are a testament to our commitment to exceptional service, expertise in governmental accounting, staff stability, strategic internal rotation of staff on ongoing engagements, and our competitive value-based fee structure.

3. Indicate the experience of the local office in providing additional services to government clients by listing the name of each government, the type(s) of service performed, and the year(s) of engagement.

Martin Starnes & Associates, CPAs, P.A., established in 1987, has a long-standing tradition of delivering a diverse array of services to our governmental clients across North Carolina. Our offerings encompass a broad spectrum, including:

- **Annual Audits:** Comprehensive auditing services
- **Cost Reporting:** Detailed and accurate cost reporting to aid in financial management and compliance
- **Financial Reporting Preparation:** Expert assistance in preparing various financial reports required by the Office of Management and Budget and the Local Government Commission
- **Mid-Year Financial Condition Reviews:** Evaluations of financial health and performance at mid-fiscal year to guide adjustments and improvements
- **Agreed-Upon Procedures Engagements:** Focused engagements on specific financial and control functions to ensure compliance and efficiency
- **Training on GASB Pronouncements:** Facilitating informative sessions to keep staff updated on new Governmental Accounting Standards Board (GASB) pronouncements
- **Assistance with GFOA Comments:** Aiding clients in addressing and rectifying comments from prior-year Government Finance Officers Association (GFOA) reviews
- **Conducting Single and Yellow Book Audits:** Expertise in conducting audits in accordance with the requirements of Single Audits and Generally Accepted Government Auditing Standards (GAGAS or "Yellow Book") since 1992
- **Catch-Up Bookkeeping Services:** Providing accounting support for smaller units of government in North Carolina in conjunction with the NC League of Municipalities

In addition to these core services, our firm is adept at providing other essential services to our governmental clients, ensuring their needs are met.

For a sample of our additional services rendered to clients, please refer to the table below. These services showcase our versatility and commitment to supporting our clients beyond traditional auditing services, underscoring our role as a multi-faceted partner in government accounting and finance.

GOVERNMENTAL CLIENT	SERVICES PROVIDED	YEARS SERVED
Pitt County	Agreed-Upon Procedures; AFIR; Working Capital Analysis (ABC Board)	22
City of Lexington	Agreed-Upon Procedures; AFIR; GASB 34 Training	2
Surry County	Agreed-Upon Procedures	15
Bessemer City	Bookkeeping and Audit Preparation Assistance	1
Catawba County	Agreed-Upon Procedures	18
Davie County	Agreed-Upon Procedures	9
Gaston County	Agreed-Upon Procedures	10
Harnett County	Agreed-Upon Procedures; AFIR	13
Lincoln County	Agreed-Upon Procedures; AFIR	9
Cleveland County BOE	Agreed-Upon Procedures	1
Alexander County	Agreed-Upon Procedures; Mid-Year Review	1
Northampton County	Mid-Year Review	10
City of Thomasville	Agreed-Upon Procedures	2
Various Clients	➢ 22 agreed-upon procedures engagements as required by the Office of the State Auditor related to County eligibility processes over certain major programs (2018) ➢ Pension attest examination engagements for the Local Governmental Employees' Retirement System (LGERS) for our governmental audit clients based on an annual sample selected by the Office of the State Auditor ➢ Annual agreed-upon procedures engagements on the electronic submission of audited financial data with the U.S. Department of Housing and Urban Development's (NTD) Uniform System of Accounts (USOA) as required for our governmental audit clients ➢ Annual AFIR preparation	

4. Describe your audit organization's participation in AICPA-sponsored or comparable quality control programs (peer review).

At Martin Starnes & Associates, CPAs, P.A., we are committed to maintaining the highest standards of quality in our audit practice. Our professionals are proud members of the American Institute of Certified Public Accountants (AICPA) and the North Carolina Association of Certified Public Accountants (NCACPA). Our firm actively participates in the AICPA's Quality Review Program, a testament to our dedication to excellence in the accounting profession. This program mandates that we undergo a peer review by an independent CPA firm, ensuring that our services consistently meet and exceed the profession's highest standards.

Given our extensive involvement in governmental audits, a significant number of our governmental clients are included in each quality review. We are proud to report that we have consistently received an unqualified opinion (pass) with no letter of comments since our first peer review in 1993, including our most recent review for the year ended December 31, 2023. This achievement represents the highest level of review result and underscores our unwavering commitment to quality. Please refer to our most recent peer review letter included on the following page.

Additionally, several of our engagements have undergone desk reviews by cognizant agencies, and our reports have been approved without exceptions or modifications, further affirming the quality of our work.

As part of our continual strive for excellence, we are an active member of the AICPA's Governmental Audit Quality Center (GAQC). This voluntary membership Center is dedicated to assisting CPAs in navigating the complexities of governmental audits. Our charter membership in the GAQC has significantly enhanced our audit quality, particularly through advanced training and adherence to membership accountability. The GAQC's mission to promote quality in governmental audits aligns with our own principles, and our participation in the Center exemplifies our commitment to staying at the forefront of industry developments and best practices.

DEANDORTON

Report on the Firm's System of Quality Control

To the Shareholders of Martin Starnes & Associates, CPAs, P.A. and the
Peer Review Committee, Coastal Peer Review, Inc.

We have reviewed the system of quality control for the accounting and auditing practice of Martin Starnes & Associates, CPAs, P.A. (the firm) in effect for the year ended December 31, 2023. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under Government Auditing Standards, including compliance audits under the Single Audit Act and an audit of an employee benefit plan.

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Martin Starnes & Associates, CPAs, P.A. in effect for the year ended December 31, 2023, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Martin Starnes & Associates, CPAs, P.A. has received a peer review rating of pass.

Dean Dorton Allen Ford, PLLC

Dean Dorton Allen Ford, PLLC

May 10, 2024

5. Describe the professional experience in governmental audits of each senior and higher-level person assigned to the audit, the years on each job, and his/her position while on each audit. Indicate the percentages of time each senior and higher-level personnel will be on site.

Martin Starnes & Associates stands out for the unique composition of our audit practice, with approximately 85% of our auditing hours dedicated exclusively to government audits. This specialized focus means that a year of experience at MSA equates to 2-3 years at a typical auditing firm that serves a variety of industries. For our staff, every 85 out of 100 hours are spent on government-related work, whether it's conducting an audit, planning, or training. This specialization translates to exceptional service for the Town of Holden Beach, characterized by excellence, timeliness, efficient procedure design, effective result evaluation, minimal staff turnover, and the highest quality of audit work at the most cost-effective fee.

We have yet to finalize the specific names for your proposed audit team, as our approach is to tailor the team composition based on our mutual schedules and the "best fit" for your staff and the complexity of your engagement. Until then, your primary point of contact is Marcie Spivey, Audit Partner. Once the team is formed, the Manager and the Senior Accountant will be your main contacts, ensuring familiarity and understanding of your entity through consistent training, supervision, and continuity.

For detailed insights into the professional experience of our audit partners and managers, including their recent client engagements, please refer to the included resumes at Attachment A.

During the interim and final fieldwork phases, both the Senior Accountant and Manager will be either on-site or readily available from the office 100% of the time. The Audit Partner is accessible remotely for any required consultations. The Audit Partner will also perform the technical review of the financial statements, providing an additional layer of expertise and oversight.

6. Describe the relevant educational background of each person assigned to the audit, senior level and higher. This should include seminars and courses attended within the past three years, especially those courses in governmental accounting and auditing.

For detailed information on the educational backgrounds of our audit partners and managers, please refer to the resumes in Attachment A.

Commitment to Continuing Education

Quality assurance in staff expertise is a priority, as evidenced by our dedication to continuing education in governmental accounting. Each professional staff member undertakes a minimum of 40 hours of continuing education annually, with an average of 32 hours specifically focused on governmental auditing and accounting seminars. Our training sources are diverse, including the NCGFOA, Governmental Audit Quality Center, Institute of Government at UNC-Chapel Hill, NCACPA, AICPA, self-study courses, and in-house training programs. We regularly participate in the State Treasurer's Auditing, Reporting & Review Conference, the NCACPA's Local Government Conference, and NCGFOA spring and summer conferences.

We also design in-house courses tailored to government industry specifics and new audit, FASB, and GASB pronouncements. Our Audit Partners and Managers ensure the professional staff stays updated with all exposure drafts and are involved in preparing necessary responses.

In addition to annual governmental conferences from NCACPA and NCGFOA, our annual continuing education encompasses single audit updates, accounting and auditing updates, governmental accounting and auditing updates, and quarterly Yellow Book updates. While we have not included a list of all attended courses due to its extensive nature, we are happy to provide this detail upon request.

By entrusting your audit to Martin Starnes & Associates, you gain access to a team that is not only highly qualified but also deeply committed to staying abreast of the latest developments in governmental accounting and auditing.

7. **Describe the professional experience of assigned individuals in auditing relevant government organizations, programs, activities, or functions (e.g., utilities, solid waste).**

At Martin Starnes & Associates, each member of our audit team, from senior accountants to managers and audit partners, possesses diverse experience in auditing governmental organizations, programs, activities, and functions. This expertise particularly aligns with the needs of the Town, encompassing areas such as utilities and compliance with federal and state grants. Our continuing relationship with our governmental clients, fostered over multiple years, has equipped our team with a deep understanding of various governmental entities, ranging in fund structures and complexities.

Proficiency in Federal and State Single Audit Acts and "Yellow Book" Standards

Since 1992, our firm has been conducting Single Audits and audits under the Government Auditing Standards, commonly referred to as the "Yellow Book." Starting with a single municipal audit, we have expanded our practice to become one of the most prominent government auditing practices in North Carolina. The vast majority of our government clients are subject to the standards set forth in the "Yellow Book." In 2025, approximately 80% of our government audit hours were dedicated to engagements under the provisions of the federal and state Single Audit Acts.

This extensive experience underscores our firm's proficiency in handling the unique challenges and complexities associated with governmental audits. Our team's continuous engagement with a wide range of government entities ensures that we are well-equipped to deliver audits that are not only compliant with the relevant standards but also tailored to the specific structure of each client.

8. **Describe any specialized skills, training, or background in public finance of assigned individuals. This may include participation in state or national professional organizations, speaker or instructor roles in conferences or seminars, or authorship of articles and books.**

Our team at Martin Starnes & Associates is comprised of individuals with exceptional skills and extensive training in public finance, proven by active participation in both state and national professional organizations. Key members such as Paula Hodges, Marcie Spivey, and Erica Brown, who serve as Audit Partners, are all former reviewers for the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program. Additionally, Paula, Marcie, and Erica are active participants in the Government Resource Group of the North Carolina Association of Certified Public Accountants (NCACPA). Paula has further contributed her expertise as a speaker at the North Carolina Government Finance Officers Association (NCGFOA) conference.

Our firm's commitment to the governmental sector extends beyond our client engagements. We have consistently supported and actively participated in various governmental associations, including:

- **NC Government Finance Officers' Association (GFOA)**
- **AICPA Government Audit Quality Center (GAQC)**
- **NCACPA Government Resource Group**
- **National GFOA**
- **NC City and County Management Association**
- **NC League of Municipalities**
- **NC Association of County Commissioners**

These affiliations not only enable us to stay abreast of the latest developments and best practices in public finance but also allow us to contribute to the growth and evolution of the industry. Our dedication to the governmental industry is unwavering, and we remain committed to supporting and advancing this sector through our active participation, thought leadership, and continuous learning. The governmental industry has indeed been a rewarding domain for Martin Starnes & Associates, and our engagement with these professional organizations is reflective of our resolve to give back and foster the industry's continued success.

9. Provide names, addresses, and telephone numbers of personnel of current and prior governmental audit clients who may be contacted for a reference.

We encourage you to contact any of the current or prior clients listed below to inquire about our governmental audit services. If you should require additional references, please let us know.

GOVERNMENTAL CLIENT NAME	CLIENT CONTACT INFORMATION
Alamance County	Susan Evans 124 West Elm Street, Graham, NC 27253 Phone: (336) 570-4025 Email: susan.evans@alamancecountync.gov
Catawba County	Mary Morrison PO Box 389, Newton, NC 28658 Phone: (828) 465-8219 Email: mmorrison@catawbacountync.gov
Iredell County	Caroline Taylor PO Box 788, Statesville, NC 28677 Phone: (704) 878-3066 Email: caroline.taylor@iredellcountync.gov
Lincoln County	Deanna Rios 353 N. Generals Boulevard, Lincolnton, NC 28092 Phone: (704) 736-8487 Email: drios@lincolncountync.gov
Macon County	Lindsay Leopard 5 West Main Street, Franklin, NC 28734 Phone: (828) 349-2000 Email: lleopard@maconnc.org

GOVERNMENTAL CLIENT NAME	CLIENT CONTACT INFORMATION
City of Albemarle	Jacob Weavil 144 North Second Street, Albemarle, NC 28001 Phone: (704) 984-9450 Email: jweavil@ci.albemarle.nc.us
City of Monroe	Lisa Strickland 300 West Cromwell Street, Monroe, NC 28112 Phone: (704) 282-4500 Email: lstrickland@monroenc.org
City of Shelby	Beth Beam PO Box 207, Shelby, NC 28150 Phone: (704) 669-6581 Email: beth.beam@cityofshelby.com
Town of Cornelius	Julie Niswonger PO Box 399, Cornelius, NC 28031 Phone: (704) 892-6031 Email: jniswonger@cornelius.org
Town of Harrisburg	Brian Lee PO Box 100, Harrisburg, NC 28075 Phone: (704) 455-5614 Email: blee@harrisburgnc.org

PRIOR GOVERNMENTAL CLIENT NAME	CLIENT CONTACT INFORMATION	YEARS SERVED
Brunswick County	Aaron Smith PO Box 249, Bolivia, NC 28422 Phone: (910) 253-2070 Email: aaron.smith@brunswickcountync.gov	2004-2022
Halifax County	Mary Duncan PO Box 38, Halifax, NC 27839 Phone: (252) 583-3771 Email: duncanm@halifaxnc.com	2001-2017

Furthermore, we maintain an impeccable relationship and reputation with the Local Government Commission (LGC) and the UNC School of Government. We invite you to contact Jim Burke or Kendra Boyle at the LGC, or Greg Allison at the School of Government, for further verification of our reputation in the governmental auditing field.

10. Describe how the firm meets professional independence standards.

At Martin Starnes & Associates, CPAs, P.A., we uphold a stringent Statement of Policy and Procedures to ensure compliance with professional independence standards, particularly as outlined in the current revision of the *Government Auditing Standards* ("The Yellow Book"). Our firm's policy, detailed in Attachment B, mandates that all employees are responsible for notifying management of any potential violations of independence and for conducting an annual review of our client list to identify any possible conflicts of interest.

This policy includes a process for affirming independence at the commencement of each new and recurring audit engagement during the audit planning phase. Additionally, under the Yellow Book's guidelines, our auditors are required to thoroughly assess independence, especially when performing certain non-attest services such as drafting financial statements. Potential threats to independence arising from these services are carefully evaluated, and appropriate safeguards are implemented to mitigate them to an acceptable level. This evaluation is an integral part of the planning stage of every annual audit.

Furthermore, in alignment with the Yellow Book standards, we verify that the management of the governmental entity we audit designates an individual who possesses suitable skill, knowledge, or experience (SKE) to oversee any non-attest services we provide.

In all aspects of our audit engagement with the Town of Holden Beach, North Carolina, we will maintain our independence both in fact and appearance. Our commitment to these principles is unwavering, as we recognize that maintaining independence is not only a professional obligation but also fundamental to the integrity and quality of our audit services. We invite you to review our Statement of Policy and Procedures in Attachment B for an understanding of our approach to upholding the highest standards of independence in all our governmental audit engagements.

11. Describe liability insurance coverage arrangements.

Martin Starnes & Associates, CPAs, P.A. maintains professional liability insurance to provide protection and peace of mind for our clients. Our current coverage is underwritten by Continental Casualty Company. Our policy is structured with substantial limits to safeguard against various contingencies: we are covered up to $4,000,000 per claim, and our aggregate coverage extends to $4,000,000.

12. Describe any regulatory action taken by any oversight body against the proposing audit organization or local office.

Martin Starnes & Associates, CPAs, P.A. proudly upholds the highest standards of professional conduct and ethical practice. We are pleased to report that there has been no regulatory action taken by any oversight body against our firm or any of its local offices. Furthermore, our firm is not engaged in any form of litigation.

ATTACHMENT A

(Resumes of Senior Audit Staff)

Paula P. Hodges, CPA
Audit Partner
Martin Starnes & Associates, CPAs, P.A.

Auditing Services

Paula has 34 years of experience in public accounting and has worked at Martin Starnes & Associates for 26 years. She was named Audit Partner in 2011 and is located at our Hickory office. She previously served as Audit Director on all of our governmental engagements from 2002 to 2010. Her responsibilities include oversight of audit managers, seniors, staff accountants, and technical review for various types of audit clients.

Education

North Carolina State University
Bachelor of Arts in Accounting

Professional & Civic Involvement

- Former Member of the Special Review Committee of Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program
- Member of the NCACPA Government Resource Group
- Speaker at the North Carolina Government Finance Officers Association conferences
- Member of the AICPA and NCACPA

Relevant Experience

- Paula was named Audit Partner in 2011.
- Served as Audit Director on all of our governmental audit engagements from 2002-2010
- Technical review responsibility for various types of audit clients
- Served as Audit Senior on counties, municipalities, and public authorities prior to assuming management responsibility in 2002
- Responsibilities include oversight of audit managers, seniors, staff accountants, and technical review of workpapers and reports.

Marcie Spivey, CPA
Audit Partner
Martin Starnes & Associates, CPAs, P.A

Auditing Services

Marcie has 30 years of experience in public accounting and has worked at Martin Starnes & Associates for 26 years. She was named was named an Audit Partner at Martin Starnes & Associates in 2013 and is located at our Hickory office. She previously served as Audit Manager from 2005-2010 with management responsibility and as Audit Director for 50% of our governmental engagements from 2011 to 2012. Her responsibilities include oversight of audit managers, seniors, staff accountants, and technical review for various types of audit clients.

Education

Lenoir-Rhyne College
Bachelor of Arts in Accounting

Professional & Civic Involvement

- Former Member of the Special Review Committee of Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program
- Member of the NCACPA Government Resource Group
- Actively serving on the Board of Advisors for the Hickory Young Professionals
- Actively involved with the Catawba County Chamber of Commerce
- Member of the AICPA and NCACPA

Relevant Experience

- Marcie was named Audit Partner in 2013.
- Served as Audit Director on 50% of our governmental audit engagements from 2011-2012
- Technical review responsibility for various types of audit clients
- Served as Audit Manager from 2005-2010 for approximately half of our audit clients
- Responsibilities include oversight of audit managers, seniors, staff accountants, and technical review of workpapers and reports.

Erica Brown, CPA

Audit Partner
Martin Starnes & Associates, CPAs, P.A.

Auditing Services

Erica has 25 years of experience in public accounting and has worked at Martin Starnes & Associates for 18 years. She was named was named an Audit Partner at Martin Starnes & Associates in 2017 and is located at our Hickory office. She previously served as a Manager and Senior Manager from 2007-2016. Her responsibilities include oversight of audit managers, seniors, staff accountants, and technical review for various types of audit clients.

Education

Salisbury University
Bachelor of Science in Business Administration in Accounting
Magna Cum Laude

Professional & Civic Involvement

- Former Member of the Special Review Committee of Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program
- Member of the AICPA and NCACPA
- Member of the NCACPA Government Resource Group
- Previous NCACPA Young CPA Cabinet Member
- Previous Advisory Board Member for Catawba County Chamber of Commerce Leadership Catawba Program
- Graduate of Leadership Catawba
- Recipient of Top 40 Under 40 for 2015 by CPA Practice Advisor
- Recipient of Hickory Young Professionals Top 10 Under 40 for 2013
- Recipient of 2018 NCACPA Taking it to the Max Award

Relevant Experience

- Erica was named Audit Partner in 2017.
- Served as Manager and Senior Manager on several counties and municipalities from 2007-2016
- Technical review responsibility for various types of audit clients
- Responsibilities include oversight of audit managers, seniors, staff accountants, and technical review of workpapers and reports.

Tonya Coffey, CPA

Audit Partner
Martin Starnes & Associates, CPAs, P.A.

Auditing Services

Tonya has 22 years of experience in public accounting as an auditor and has worked at Martin Starnes & Associates for 6 years. She was named was named an Audit Partner at Martin Starnes & Associates in 2025 and is located at our Hickory office. She is currently the Partner for several counties and municipalities and is relied upon by her clients as a knowledgeable advisor. Her responsibilities include overall planning and oversight of all phases of the audit, technical review of audit procedures performed, completion and review of the audit report. In addition to her audit responsibilities, Tonya performs other advisory and consultation services for local governments, such as training on accounting topics and report writing, consultation on software transitions, accounting for unusual or complex transactions, and improving internal controls. Tonya has extensive experience with the GFOA certificate of achievement program and is instrumental in ensuring that her clients produce Annual Comprehensive Reports that meet the requirements of the program. She is also a resource within the firm – providing training, practice aides, and insight within the audit department, including implementation of new standards as they arise.

Education

Appalachian State University
Bachelor of Science in Business Administration in Accounting
Master of Science in Accounting

Professional & Civic Involvement

- Member of the AICPA and NCACPA
- AICPA Not-for-Profit Certificate Holder

Relevant Experience

- Tonya was named Audit Partner in 2025.
- Served as Manager and Senior Manager on several counties and municipalities from 2020-2024
- Technical review responsibility for various types of audit clients
- Responsibilities include oversight of audit managers, seniors, staff accountants, and technical review of workpapers and reports.

Amber McGhinnis, CPA

Senior Manager
Martin Starnes & Associates, CPAs, P.A.

Auditing Services

Amber has 23 years of experience in public accounting and has worked at Martin Starnes & Associates for 23 years. She currently serves as the project manager for our audit department. Her responsibilities include oversight of audit managers, seniors, staff accountants, and technical review for various types of audit clients.

Education

Appalachian State University
Bachelor of Science in Business Administration in Accounting
Magna Cum Laude
Master of Science in Accounting

Professional & Civic Involvement

- Member of the AICPA and NCACPA
- Previous Advisory Board Member for Catawba County Chamber of Commerce Leadership Catawba Program
- Graduate of Leadership Catawba
- Recipient of Top 40 Under 40 for 2018 by CPA Practice Advisor
- Recipient of Hickory Young Professionals Top 10 Under 40 for 2013

Relevant Experience

- Amber currently serves as the project manager for our audit department.
- Technical review responsibility for various types of audit & other attest clients
- Responsibilities include oversight of audit managers, seniors, staff accountants, and technical review of reports.

Matt Braswell, CPA
Senior Manager
Martin Starnes & Associates, CPAs, P.A.

Auditing Services

Matt has 17 years of experience in public accounting and has worked at Martin Starnes & Associates for 17 years. He is currently the manager for several counties and municipalities. His responsibilities include oversight of seniors, technical review of audit procedures performed, and in-charge responsibility of several complex engagements.

Education

Montreat College
Bachelor of Science in Business Administration, Concentration in Accounting
Magna Cum Laude

Professional & Civic Involvement

- Member of the AICPA and NCACPA

Relevant Experience

- Cabarrus County
- City of Kings Mountain
- City of Statesville
- City of Wilson
- Harnett County

Cassie Wilson, CPA

Senior Manager
Martin Starnes & Associates, CPAs, P.A.

Auditing Services

Cassie has 21 years of experience in public accounting and has worked at Martin Starnes & Associates for 13 years. She is currently the manager for several counties and municipalities. Her responsibilities include oversight of seniors, technical review of audit procedures performed, and in-charge responsibility of several complex engagements.

Education

Appalachian State University
Bachelor of Science in Accounting

Gardner-Webb University
Master of Accountancy

Professional & Civic Involvement

- Member of the AICPA and NCACPA

Relevant Experience

- City of Lexington
- Davie County
- Iredell County
- Town of Huntersville
- Wilkes County

Elsa Swenson, CPA

Senior Manager
Martin Starnes & Associates, CPAs, P.A.

Auditing Services

Elsa has 14 years of experience in public accounting and has worked at Martin Starnes & Associates for 14 years. She is currently the manager for several counties and municipalities. Her responsibilities include oversight of seniors, technical review of audit procedures performed, and in-charge responsibility of several complex engagements.

Education

East Carolina University
Bachelor of Science in Accounting
Magna Cum Laude
Master of Science in Accounting

Professional & Civic Involvement

- Member of the AICPA and NCACPA
- Previous NCACPA Young CPA Cabinet Member

Relevant Experience

- Alamance County
- Catawba County
- City of Salisbury
- City of Monroe
- Lincoln County

Kelly Gooderham, CPA

Senior Manager
Martin Starnes & Associates, CPAs, P.A.

Auditing Services

Kelly has 12 years of experience in public accounting and has worked at Martin Starnes & Associates for 12 years. She is currently the Manager for several counties and municipalities. Her responsibilities include oversight of seniors, technical review of audit procedures performed, and in-charge responsibility of several complex engagements.

Education

Appalachian State University
Bachelor of Science in Accounting

Professional & Civic Involvement

- Member of the AICPA and NCACPA
- AICPA Advanced Single Audit Certification
- Catawba Science Center board member
- Graduate of Leadership Catawba

Relevant Experience

- City of Washington
- Gaston County
- Stokes County
- Town of Franklin
- Transylvania County

Jill Vang, CPA

Senior Manager
Martin Starnes & Associates, CPAs, P.A.

Auditing Services

Jill has 17 years of experience in public accounting and has worked at Martin Starnes & Associates for 13 years. She is currently the Manager for several counties, municipalities, and non-profit organizations, as well as several component units. Her responsibilities include oversight of seniors, technical review of audit procedures performed, and in-charge responsibility of several complex engagements.

Education

Walsh College
Bachelor of Accountancy
Master of Science in Finance

Appalachian State University
Master of Science in Accounting

Professional & Civic Involvement

- Member of the AICPA and NCACPA

Relevant Experience

- City of Albemarle
- City of Concord
- City of Thomasville
- Macon County
- Town of Cornelius

Claire Earnhardt, CPA

Manager

Martin Starnes & Associates, CPAs, P.A.

Auditing Services

Claire has 7 years of experience in public accounting and has worked at Martin Starnes & Associates for 7 years. She is currently the Manager for several counties and municipalities, as well as several component units. Her responsibilities include oversight of seniors, technical review of audit procedures performed, and in-charge responsibility of several complex engagements.

Education

Gardner-Webb University

Bachelor of Science in Accounting with a Minor in Spanish

Professional & Civic Involvement

- Member of the AICPA and NCACPA

Relevant Experience

- Alexander County
- City of Mount Holly
- Davidson County
- Orange Water & Sewer Authority
- Town of Pineville

Adam Segal, CPA

Manager
Martin Starnes & Associates, CPAs, P.A.

Auditing Services

Adam has 22 years of experience in public accounting (6 years specializing in governmental audits) and 10 years in municipal government as a Deputy Director of Finance. He joined Martin Starnes & Associates in 2025. He is currently the Manager for several counties and municipalities, as well as several component units. His responsibilities include oversight of seniors, technical review of audit procedures performed, and in-charge responsibility of several complex engagements.

Education

University of Leeds, United Kingdom
Bachelor of Arts in Classical Civilization

Professional & Civic Involvement

- Member of the AICPA and NCACPA
- Chartered Certified Accountant (U.K.)
- Certified Fraud Examiner
- Former Board Member of the General Employees' Pension Plan - City of Dania Beach

Relevant Experience

- City of Claremont
- City of Mount Holly
- Davidson County
- Pitt-Greenville Airport Authority
- Town of Harrisburg

ATTACHMENT B

(Independence Document – Statement of Policies & Procedures)

Relevant Ethical Requirements

The firm's policy is that all professional personnel be familiar with and follow relevant ethical requirements of the AICPA, contained in the Code of Professional Conduct, the State of North Carolina Board of Accountancy, and the State of North Carolina CPA Society in performing their professional responsibilities. Furthermore, the policy of our firm is that, for engagements subject to Government Auditing Standards (Yellow Book) and other applicable regulatory agencies, all professional personnel be familiar with and adhere to the relevant ethical requirements included in those standards, including any that may be more restrictive. Additionally, when the firm and its professional personnel encounter situations that raise potential independence threats, but such situations are not specifically addressed by the interpretations of the Independence Rule of the AICPA Code of Professional Conduct, the situation will be evaluated by referring to the Conceptual Framework for Independence and applying professional judgment to determine whether an independence breach exists. For engagements subject to Government Auditing Standards, the Yellow Book conceptual framework approach at the Firm, engagement team and individual auditor level will be used to identify threats, evaluate threats, and apply safeguards. Independence will be considered individually and in the aggregate. The firm will reevaluate independence and safeguards applied if new information becomes available or if a threat is identified after the audit report is issued.

The firm takes appropriate action to eliminate threats to independence or mitigate them to an acceptable level by applying safeguards. If effective safeguards cannot be applied, the firm will withdraw from the engagement or take other corrective actions as appropriate to eliminate the breach. The firm ensures compliance with this policy by implementing the following procedures:

1. The firm provides all personnel with online access to the relevant ethical requirements to which the firm is subject. The firm expects its engagement partners and other personnel to stay informed on those relevant ethical requirements.

2. The firm provides independence and ethics training for professional personnel periodically that covers the firm's independence and ethics policies and the independence and ethics requirements of applicable regulators. Ethics training is provided to certified personnel annually as required by the State of North Carolina Board of Accountancy. All professional personnel who work on attest engagements and are required to be independent, sign an independence representation form when hired and annually thereafter acknowledging their familiarity with the firm's relevant ethical requirements policy and procedures, particularly regarding independence.

3. The firm maintains a list of the most common transactions, circumstances, and relationships that would impair the firm's independence and other relevant ethical requirements and periodically reminds professional personnel to review the information.

4. The firm informs personnel of changes to the client list to ensure independence is maintained. The current client list is maintained in Practice ERP by the firm administrator and changes to that list are available to all personnel.

5. Important relevant ethical requirements are addressed by procedures within the work programs and standard forms in the accounting and auditing material used by the firm, such as:

   a. Determine compliance with relevant ethical requirements, including independence, on each new and recurring attest client as part of the acceptance and continuance decision by completing relevant independence practice aids. Additionally, the independence practice aid is reviewed by a second person in the firm. For clients of whom the firm is not independent; the only attest service performed is a compilation and the firm discloses its lack of independence in the related report.

   b. Consider unpaid fees (billed and unbilled).

   c. Consider any familiarity threat related to senior personnel recurring on an attest engagement for five years or more.

   d. When another firm, or firm personnel in associated member firms, performs part of the engagement, the firm confirms the independence of the other firm and adherence to other relevant ethical requirements. Written confirmations are obtained regarding the other firm's independence with respect to audit engagements and either written or oral confirmations are obtained for review or attestation engagements. Oral confirmations are documented.

6. Certain important independence requirements are addressed by procedures within the work programs and standard forms in the accounting and auditing materials used by the firm. Such procedures include:

   a. Identify nonattest services performed for attest clients and determine if the services threaten independence with respect to that client (including obtaining and documenting an understanding of how the firm was satisfied that client personnel had the skills, knowledge, or experience to oversee the nonattest services). The firm will only provide nonattest services to an attest client when the client accepts its responsibilities. Where applicable, this includes determining whether such nonattest (nonaudit) services impair independence under the independence rules in Government Auditing Standards or the Department of Labor.

   b. Consider the firm's independence of attest clients at which professional personnel have been offered management positions or have accepted offers of employment.

c. Consider whether actual or threatened litigation influences the firm's independence with respect to the client.

d. Determine whether all professional personnel are independent of the financial reporting entity if the firm is engaged as the group auditor to report on the basic financial statements of the financial reporting entity.

e. Consider whether the firm was party to a cooperative arrangement with a client that was material to the firm or the client.

7. The firm maintains documentation of all potential independence issues noted on the annual independence representation forms, which is reviewed by the Audit Partner assigned the operational responsibility for the system of quality management. All relevant ethical requirements matters, including potential independence issues noted, are resolved by the Audit Partner assigned the operational responsibility for the system of quality management, who is also responsible for determining actions to be taken when professional personnel violate firm independence policies and procedures. Documentation of the resolution of a relevant ethical requirements matter is filed in the client's workpaper files and retained in accordance with the firm's document retention policy.

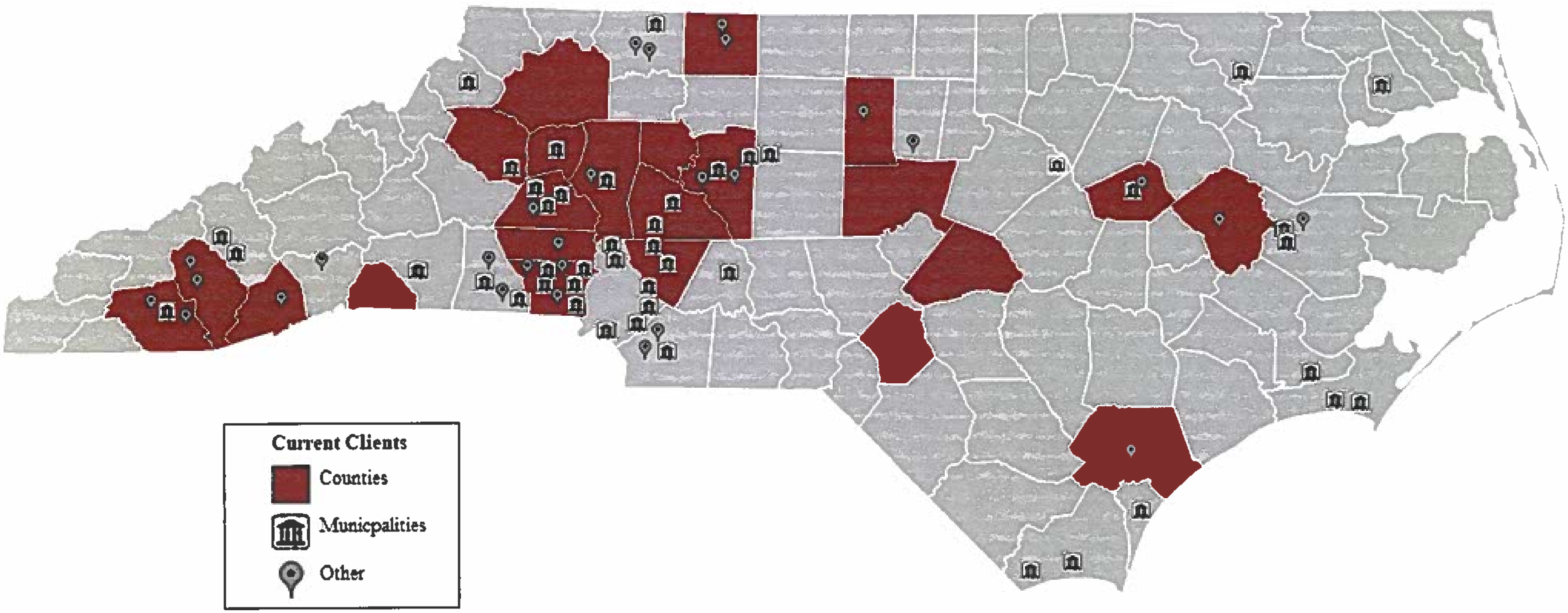
8. If a breach of a relevant ethical requirement, including independence, is identified, the breach and the required corrective actions are promptly communicated to (a) the Audit Partner assigned the operational responsibility for the system of quality management, (b) the engagement partner who (along with the firm) needs to address the breach, (c) other relevant personnel in the firm and those subject to the independence requirements who need to take appropriate action, and (d) those charged with governance at the attest client. The engagement partner confirms to the Audit Partner assigned the operational responsibility for the system of quality management when required corrective actions related to the breach and noncompliance with these policies and procedures have been taken.

9. When there is a disagreement between the attest engagement partner and the managing partner or the Audit Partner assigned the operational responsibility for the system of quality management, the firm requires contacting the AICPA Ethics Hotline or the Government Accounting Office's (GAO) Yellow Book Technical Assistance Hotline. The written response from the AICPA or GAO is retained in the relevant attest file and the guidance is followed.

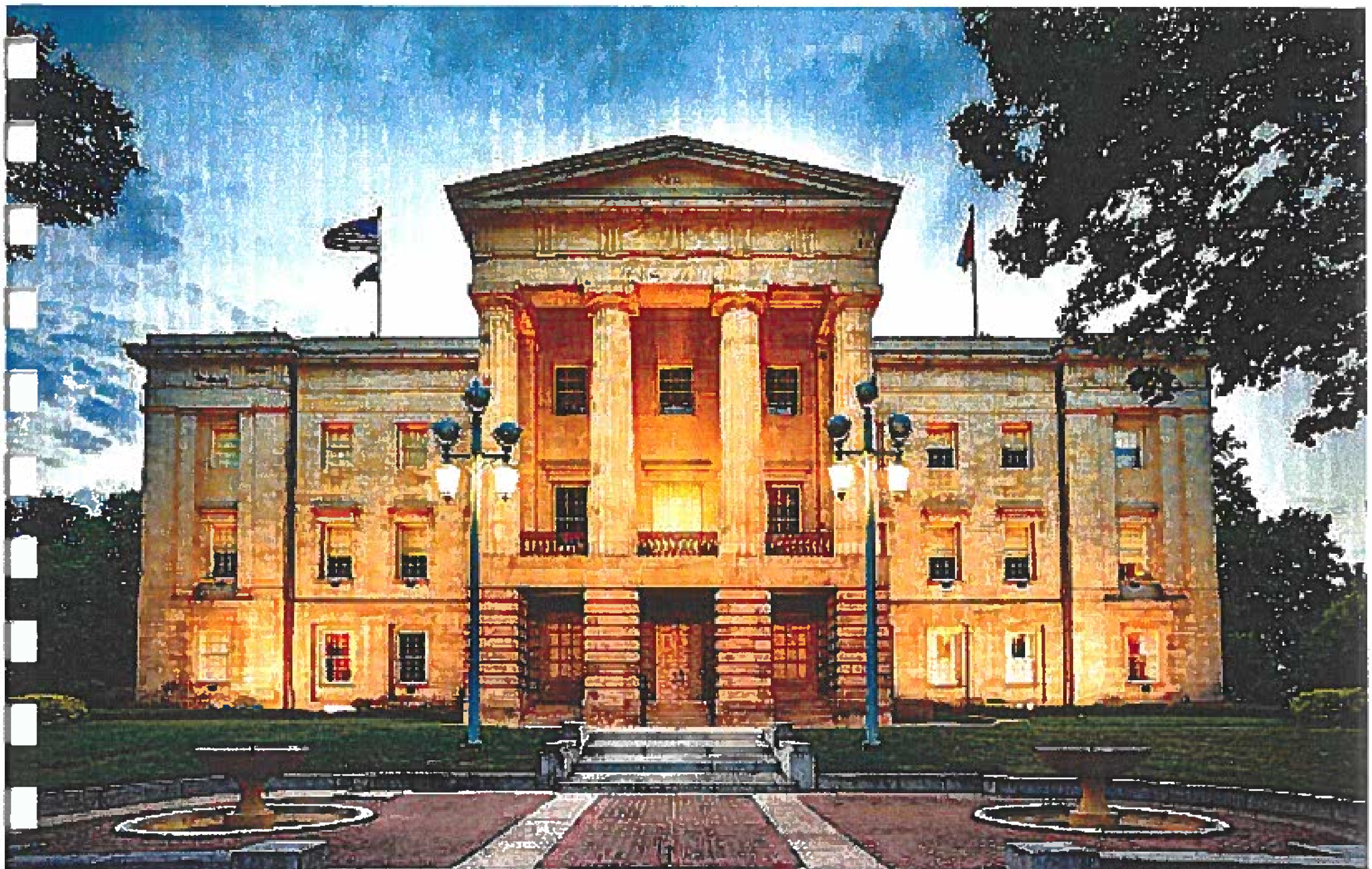
SUPPLEMENTARY INFORMATION

North Carolina Is Our Neighborhood

Governmental Entities We Currently Audit



**Map as of June 30, 2025



TOWN OF HOLDEN BEACH

PROPOSAL FOR AUDIT SERVICES, 2026-2028

SECTION 2 – AUDIT APPROACH & COST ESTIMATE

MARCELA J. SPIVEY, CPA
ENGAGEMENT PARTNER
PHONE: (828) 327-2727
EMAIL: MSPIVEY@MSA.CPA

MARTIN · STARNES
& ASSOCIATES, CPAs, P.A.

TOWN OF HOLDEN BEACH

PROPOSAL FOR AUDIT SERVICES

MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.

SECTION 2 – AUDIT APPROACH & COST ESTIMATE

1. Explanation of the type of audit program used (tailor-made, standard government, or standard commercial)

Our audit methodology is centered around the use of "Knowledge Coach," an intuitive and advanced audit software developed by CCH, a subsidiary of Wolters Kluwer and a leader in the field of accounting and tax software. This program is a crucial part of CCH's renowned "Knowledge Based Audit Approach" and stands as the only integrated system for audit planning, risk assessment, and audit program workflow management approved by the AICPA's National Peer Review Committee. Please see the following excerpt from a press release about Knowledge Coach:

> *"Developed from the ground up by auditors, for auditors, ProSystem fx Knowledge Coach combines the industry-specific content and guidance of ProSystem fx Knowledge Tools with a dynamic audit workflow engine that dramatically streamlines the audit planning process and helps users efficiently manage an audit from beginning to end.*
>
> *"Peer review is an important milestone for Knowledge Coach, because it confirms that not only is our content compliant with AICPA risk-based audit standards, but our processes for developing, presenting and utilizing this content in the Knowledge Coach application maintains and enhances this compliance," said CCH Product Manager Mike Ritchie. "Knowledge Coach is* ***the first product of its kind*** *– making the same kind of breakthrough in the audit realm that the first computer-based programs did for tax. As a result, we wanted to have it subjected to peer review, and we're very gratified that it has been validated through that process," Ritchie said.*

Upon completing the planning, risk assessment, and internal control segments of the engagement, Knowledge Coach guides the substantive phase of the audit with recommended steps. This approach effectively eliminates redundant procedures and focuses audit efforts on areas identified as significant through our planning and risk assessment. Our strategy integrates a balance sheet approach, substantive analytic review, and detailed testing of specific general ledger accounts. The substantive analytic review procedures, tailored specifically for the Town of Holden Beach, are formulated and endorsed by our senior management team during the audit's planning phase. Every procedure we implement is executed with a definitive purpose and a clear audit objective, ensuring a comprehensive and focused audit process.

2. Explanation of the use of statistical sampling

Our approach to sampling is tailored for efficiency and effectiveness in financial statement audits. Our methodology does not incorporate statistical sampling; instead, we employ a strategic combination of haphazard or random sampling techniques. This approach is meticulously designed to scrutinize the content within specific audit areas, rather than focusing merely on their attributes.

Our audit assurance is derived from an integrated process that includes both detailed testing (sampling) and analytical review. The detailed testing phase involves a thorough examination of all items deemed individually significant, based on materiality and risk assessment. Subsequently, we assess the remaining population to ascertain the adequacy of the sample. Should the initial sample prove insufficient, additional transactions are tested to meet the sampling requirements as dictated by our risk evaluation.

In parallel, our analytical review process entails a comparative analysis between our pre-established expectations for a particular audit area and the actual results. This involves a detailed examination of any discrepancies, thereby enabling a deeper understanding of the underlying factors.

We believe that this approach is not only more effective in identifying material errors but also significantly reduces the time and resource investment required from both our team and the staff of the governmental unit.

3. Explanation of the use (if any) of computer audit specialists

Our Technology Manager is available to conduct or review the Town's MIS controls assessment, ensuring a comprehensive understanding of internal control systems, including computer controls, if needed. This role is central to our audit process, which focuses on documenting internal controls, assessing risk, and identifying any security issues with material impact on the financial statements.

4. Organization of the audit team and the approximate percentage of time spent on the audit by each member

Staff Level	Percentage of Time
Partner	10%
Senior Manager/Manager	30%
Senior Accountant	35%
Staff & Administrative	25%

5. Information that will be contained in the management letter

In accordance with the audit standards impacting the Yellow Book and Single Audit opinion letters, our management letter will focus on detailing minor internal control weaknesses, recommending enhancements to operational procedures, and proposing cost-saving strategies. Additionally, it will offer insights for the overall improvement of the Town's operations. Should any issues arise during our audit procedures, we will promptly inform management. Rest assured, all matters presented in the management letter or compliance letters will have been discussed with management during the engagement.

6. Assistance expected from the government's staff, if other than outlined in the RFP

To optimize the efficiency of the audit, we request the final trial balance in an electronic format, ideally in Excel, one week prior to the commencement of final fieldwork. This will enable us to import your trial balance into our audit software, allowing for identification of risk areas before the beginning of fieldwork. Additionally, we aim to download your interim trial balance for risk assessment and planning.

We prefer for all client assistance to be provided electronically, wherever feasible. The Town can contribute to the audit's timeliness by minimizing immaterial post-final adjusting journal entries (AJEs) and ensuring the timely provision of all items listed in the "Prepared by Client" (PBC) checklist before fieldwork initiation. To facilitate efficient management of the PBC list, we will utilize Suralink, an advanced audit request list technology, coupled with an electronic document management system, ensuring streamlined and effective communication and document handling during the audit process.

7. Tentative schedule for completing the audit within the specified deadlines of the RFP

Note: MSA is committed to working with our clients and their needs. We are fully equipped to conduct audit procedures and presentations remotely if required by the Town, employing secure file sharing and virtual conferencing platforms like Zoom and Microsoft Teams. These details will be determined during the audit planning stage to meet specific requirements.

Audit Planning

Our engagement with government audits is a year-round endeavor. We initiate the process by downloading an interim trial balance each year. This data is instrumental in our audit risk assessment, interim procedure planning, preliminary analytic review, and in gathering information about new projects, funds, and departments. To remain aligned with the Town's developments, we review the Board's meeting minutes monthly. An annual meeting with key Finance Department members will be held to establish a mutual understanding of both our and the Town's responsibilities and timetables.

Interim and Final Fieldwork

Interim fieldwork is typically conducted in a mutually agreed-upon week between March and June. This phase includes updating our understanding of internal controls, testing compliance for federal and state programs, and auditing transactions in relevant funds. Our team is prepared to either work on-site or remotely, as determined, for up to a week. We commit to staying on task until all objectives are achieved. Any findings related to internal control or compliance will be discussed with management following interim procedures.

In a typical year, final fieldwork will be scheduled for July-August. This stage, lasting approximately one week, can be conducted on-site or in a hybrid remote format. Prior to this, we will have imported final trial balances, meticulously planned our procedures, and coordinated with the finance staff regarding necessary data. Our staff will be prepared to conduct the procedures efficiently and with minimal disruption to your team. At the completion of final fieldwork, we will present any audit adjustments, compliance findings, and internal control findings.

Our typical timeline for the Town will be as follows:

- March-April – Download interim trial balance and perform preliminary analytic procedures. This procedure allows us to keep informed of changes at the Town before the audit commences.
- March-April – Planning meeting with the Finance Director. At the planning meeting, we will mutually agree on the fieldwork timetable, client prepared schedules, etc. The purpose of this meeting is to get your staff and our staff on the same page.
- Mutually agreed-upon time between March and June – Interim fieldwork (test internal controls and grant compliance, as required)
- July-August – Import final trial balance; perform analytical procedures; perform compliance testing; perform final risk assessment; perform final fieldwork
- October-December – Submission of report to Local Government Commission
- Mutually agreed-upon time within 45 days of LGC report submission – Presentation to the Board

8. Specify costs using the Summary of Audit Costs Sheet on page 10 for each of the three (3) audit years. Cost estimates must indicate the basis for the charges and whether the amount is a "not-to-exceed" amount.

Please see the Summary of Audit Costs Sheet on the following page and additional fee related information in Requirement 9 and 10 below.

9. Explanation of additional charges outside the original scope of work

Basis/Methodology of Cost Estimate:

Fixed-Fee Structure: Our estimated fees are primarily based on a fixed-fee arrangement. In the event of unforeseen circumstances necessitating additional fees, we commit to discussing these changes with the Town's Finance Director prior to incurring any additional costs. All services and corresponding fee estimates will be clearly specified, ensuring transparency. We do not charge for travel expenses related to the audit engagement. However, for services beyond the scope of the audit engagement, separate fee negotiations will take place, which may include travel expenses reimbursement. Our hourly rates for such services range between $90 and $450.

The proposed fees encompass year-round technical assistance to the Town's staff, ensuring we are available to serve our government clients throughout the year. Any assistance necessitating supplemental fees will be negotiated in advance.

Our fees also include the initial planning meeting, report drafting, report clerical services (proofing & PDF preparation), submission of the report to the LGC, printing up to 20 copies of the financial statements and other relevant documents, preparation of the Data Collection Form (as required), and a presentation to the Board of Commissioners. *Additional fees for services outside the scope of the audit, such as AFIR preparation and data input report preparation, will be billed separately.*

10. If applicable, note the firm's method of determining increases in audit costs on a year-to-year basis.

Our fee adjustments are reviewed and determined annually. Factors influencing these adjustments include economic volatility and the frequent modifications or additions to requirements by governmental and rule-making boards related to the services we provide. This approach ensures that our fee structure remains responsive to the changing economic and regulatory landscape.

Audit contracts must be approved annually by the Local Government Commission. For your planning purposes, our estimated fees to provide our services to you in the future are shown in the table above. These are estimated fees only. Governmental and rule-making boards may add or change their requirements related to our services which may change these estimates. The actual fee agreement will be set forth in the annual contract signed for the relevant year.

TOWN OF HOLDEN BEACH
SUMMARY OF COSTS SHEET

AUDIT FIRM NAME: Martin Starnes & Associates, CPAs, P.A.

FY 2025 – 2026

1. Base Audit	$ 41,400
2. Financial Statement Preparation (includes cost of printing 20 bound copies)	$ 4,600
3. AFIR	$ 2,000
4. Other (use additional pages to explain, if necessary)	$ see below*
Total	$ 48,000

FY 2026 – 2027

5. Base Audit	$ 43,860
6. Financial Statement Preparation (includes cost of printing 20 bound copies)	$ 4,900
7. AFIR	$ 2,000
8. Other (use additional pages to explain, if necessary)	$ see below**
Total	$ 50,760

FY 2027 – 2028

9. Base Audit	$ 46,500
10. Financial Statement Preparation (includes cost of printing 20 bound copies)	$ 5,200
11. AFIR	$ 2,000
12. Other (use additional pages to explain, if necessary)	$ see below***
Total	$ 53,700

Totals listed above exclude single audit fees. If applicable, single audit fees will be added as follows:
*2026: $4,500 for up to 2 major programs. Major programs in excess of 2 will be billed at $4,500 each.
**2027: $4,750 for up to 2 major programs. Major programs in excess of 2 will be billed at $4,750 each.
***2028: $5,000 for up to 2 major programs. Major programs in excess of 2 will be billed at $5,000 each.

11. Please list any other information the firm may wish to provide.

We Have a Story to Tell!

Our narrative extends beyond the standard responses required in the RFP, offering a deeper insight into what distinctly sets our firm apart from others in the field.

Our Evolving History

Our journey began with a modest client base, focusing initially on a small town in Alexander County. Today, we stand as one of the largest governmental audit practices in North Carolina, guided by a straightforward principle: Quality + Service + Value = Success. This growth, achieved one client at a time, emphasizes our unwavering commitment to client retention. Since 1992, our client base has remained remarkably stable, a testament to our belief that delivering quality, service, and value leads to enduring success.

Unparalleled Quality

A significant 85% of our audit practice is dedicated to serving government entities in North Carolina, a claim few firms can match. Our unique operational model, devoid of the typical 12/31 busy season, allows our audit staff to concentrate solely on government clients. This approach has curtailed staff turnover and enhances the continuity and quality of our audit engagements. Our firm boasts three governmental audit Partners who have served as reviewers for the GFOA Certificate of Excellence Program, are active participants in the NCACPA's Government Resource Committee, and the firm has been a member in the AICPA's Government Audit Quality Center since its inception. Our commitment to quality is unyielding, evidenced by clean peer reviews since 1992, and our expertise is sought after by peers in the industry.

Exceptional Service

Adhering to the adage "If you fail to plan, you plan to fail", we initiate each engagement with a detailed, mutually agreed-upon plan, encompassing fieldwork schedules, deadlines for client-prepared schedules, and document delivery timelines. Our advanced technology infrastructure eliminates geographic barriers, ensuring seamless service delivery regardless of location. A prime example of our service innovation is the implementation of "Suralink," a dynamic request list technology and electronic document management system that enhances efficiency and streamlines processes for our clients.

Inherent Value

Our philosophy is that fees do not always reflect value. Our business model, established from inception, is rooted in delivering high-quality service with a proficiently trained team and cutting-edge technology. We focus on efficiency at every audit step, ensuring that our services extend beyond mere compliance to add tangible value to the financial reporting process. Our firm operates with minimal overhead, allowing for competitive billing rates without compromising on quality. At the core of our value proposition is our integrity, which we regard as the cornerstone of our service delivery.

In summary, our firm is not just about conducting audits; we are about adding value, providing exceptional service, and maintaining the highest quality standards in government auditing in North Carolina.

At Martin Starnes & Associates, our approach to completing a high volume of governmental audits within strict timelines is both strategic and innovative. Here's how we achieve this:

Early and Efficient Planning: Our engagement planning commences from January 2nd each year, allowing us to streamline the audit process and significantly reduce the time required for final fieldwork.

Maximizing Technology: We leverage state-of-the-art technology to its fullest potential, ensuring efficiency and accuracy in every aspect of our audit process.

Hiring and Retaining Top Talent: Our firm prioritizes attracting and retaining the best talent in the industry, ensuring a team that is skilled, knowledgeable, and dedicated.

Intensive Pre-Final Fieldwork: We devote more hours to auditing your unit from January to July compared to our competitors. This extensive work in the initial months reduces the likelihood of unexpected findings during the final fieldwork phase.

Optimal Staff Leveraging: Our audit staff is structured to maintain a balanced ratio of senior leadership, senior accountants, and staff accountants. Each manager oversees approximately 10 engagements and has access to the entire staff accountant pool, as well as our firm leadership. This structure ensures that challenges are escalated efficiently, preventing overburdening at any level.

Team-Oriented Approach: We embody a "team" philosophy in our audit practice. The completion of all engagements signifies our collective success. The phrase "All hands-on deck" truly defines our work ethic and collaborative spirit at Martin Starnes & Associates.

Our methodologies not only ensure timely completion of audits but also uphold the highest standards of quality and efficiency, reflective of our commitment to excellence in governmental auditing.

12. Please include the Summary of Audit Costs Sheet with your proposal.

Please see the Summary of Audit Costs Sheet included as part of Requirement 8 above.

FINAL CONSIDERATIONS

Quote from J. Michael Barham, NC Board of CPA Examiners at the 2009 Local Government Update

> *"If you want to improve the quality of Yellow Book and OMB audits, select your auditors based on the following criteria: experience, references, contact the firm's current audit clients, evaluate professional qualifications, evaluate the firm's commitment to CPE, the firm's peer review results, and contact the LGC about the firm's quality and timeliness; but most importantly, do not let the price be the driving force."*

Excerpt from article: Better Understanding the Financial Statement Audit

By Stephen J. Gauthier - Author of Governmental Accounting, Auditing and Financial Reporting ("Blue Book") and Director of the Technical Services Center of the Government Finance Officers Association of the United States and Canada

> *. . . Mandatory auditor rotation may pose special risks in the public sector (do not force yourself into a bad decision). Many people believe that periodically changing audit firms offers real advantages such as a fresh outlook and greater independence from management . . .*

> *. . . The potential benefits of auditor rotation depend on the presence of a sufficient number of qualified firms being interested in performing the audit. . . Accordingly, a policy of mandatory auditor rotation, when applied to state and local governments, could force a government into the position of hiring a less than fully qualified replacement for its current independent auditor.*

> *. . . Furthermore, many of the potential benefits of auditor rotation could be achieved by rotating the personnel assigned to the engagement within the current auditing firm.*

Excerpt from "Suggested Good Practices" Document by the AICPA

Audit firm rotation is an idea that has been around for some time but has consistently failed to gain support from the SEC, GAO, private organizations, academics, and others as constituting sound public policy. The reasons for the lack of acceptance of the idea are easily identified:

- *The costs of audit firm rotation far exceed the potential benefits.*
- *The linkage between auditor tenure and auditor competence is real; studies have shown that audit failures are three times more likely in the first two years of an audit engagement.*