

**DENNIS CORPORATION**

**Statement of Direct Labor, Fringe Benefits,  
and General Overhead-with Field Rates**

**For the Year Ended December 31, 2009**

# BURKETT BURKETT & BURKETT

Certified Public Accountants, P.A.

## INDEPENDENT AUDITORS' REPORT ON THE STATEMENT OF DIRECT LABOR, FRINGE BENEFITS, AND GENERAL OVERHEAD-WITH FIELD RATES

The Board of Directors  
DENNIS CORPORATION

We have audited the Statement of Direct Labor, Fringe Benefits, and General Overhead-with Field Rates (hereinafter referred to as "the Schedule") of DENNIS CORPORATION (the Company) for the fiscal year ended December 31, 2009. This Schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this Schedule based on our audit.

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

The Schedule was prepared on a basis of accounting practices prescribed by Part 31 of the Federal Acquisition Regulations (FAR) and certain other Federal and State regulations as discussed in Note 2, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the direct labor, fringe benefits, and general overhead of the Company for the year ended December 31, 2009 on the basis of accounting described in Note 2.

The Company's management directly allocated home and field office expenses in September 2010 for the year ended December 31, 2009 financial statements. This action resulted in a different 2009 allocation and has been restated to correctly show the changes.

In accordance with the *Government Auditing Standards*, we have also issued a report dated February 15, 2010 and September 10, 2010 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the Schedule is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the use and information of the Company and government agencies or other customers related to contracts employing the cost principles of the Federal Acquisition Regulation and should not be used for any other purpose.

*Burkett Burkett & Burkett*

BURKETT BURKETT & BURKETT

Certified Public Accountants, P.A.

West Columbia, South Carolina

February 15, 2010

September 10, 2010

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**DENNIS CORPORATION**  
**STATEMENT OF DIRECT LABOR, FRINGE BENEFITS, AND GENERAL OVERHEAD-WITH FIELD RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	FINANCIAL STATEMENT EXPENSES	DISALLOWED COSTS	FAR REFERENCE	PROPOSED COMPANY WIDE	ALLOCATION		PERCENT TO FIELD OFFICE
					PROPOSED HOME OFFICE	PROPOSED FIELD OFFICE	
DIRECT LABOR	\$ 2,464,096	\$ -		\$ 2,464,096	\$ 1,373,581	\$ 1,090,515	44.26%
FRINGE BENEFITS							
Insurance: Medical	170,794			170,794	95,207	75,587	44.26%
Insurance: Workers' Comp	47,070			47,070	26,239	20,831	44.26%
Payroll Taxes: FICA and Med	247,138			247,138	137,764	109,374	44.26%
Payroll Taxes: FUTA and SUTA	21,213			21,213	11,825	9,388	44.26%
TOTAL FRINGE BENEFITS	\$ 486,215	\$ -		\$ 486,215	\$ 271,035	\$ 215,180	
GENERAL OVERHEAD							
Indirect labor	\$ 1,085,399	\$ 87,762	31.205-6	\$ 997,637	625,119	372,518	37.34%
Direct: Subconsultants	34,422			34,422	28,013	6,409	18.62%
Advertising and Marketing	76,877	45,578	31.205-1	31,299	25,471	5,828	18.62%
Auto expenses	785			785	40	745	94.90%
Bad debts	94,026	94,026	31.205-3	-	-	-	18.62%
Bank Charges	2,810			2,810	2,287	523	18.62%
Contributions	25,410	25,410	31.205-8	-	-	-	18.62%
Political Contributions	6,549	6,549	31.205-22	-	-	-	18.62%
Depreciation	363,562			363,562	98,520	223,703	61.53%
Dues and subscriptions	26,669	9,798	31.205-14	16,871	13,730	3,141	18.62%
Equipment lease	67,698			67,698	40,615	27,083	40.01%
Insurance	287,357	3,721	31.205-19	283,636	230,824	52,812	18.62%
Interest	125,550	125,550	31.205-20	-	-	-	18.62%
Meals and entertainment	47,051	23,781	31.205-14/51	23,270	18,937	4,333	18.62%
Miscellaneous	3,604			3,604	2,933	671	18.62%
Office supplies	77,289			77,289	70,155	7,134	9.23%
Permitting fees	570			570	464	106	18.62%
Printing and reproduction	28,963			28,963	23,570	5,393	18.62%
Professional development	5,162			5,162	4,201	961	18.62%
Professional fees	158,243			158,243	128,778	29,465	18.62%
Rent	434,136	3,160	31.205-36	430,976	344,737	86,239	20.01%
Repairs and maintenance	21,753			21,753	17,703	4,050	18.62%
Supplies	107,134	18,990	31.205-1	88,144	27,060	61,084	69.30%
Survey expense	1,400			1,400	-	1,400	100.00%
Taxes and license	82,811			82,811	38,780	44,031	53.17%
Telephone	84,697			84,697	34,407	50,290	59.38%
Training	58,226			58,226	15,733	42,493	72.98%
Travel	66,332	28,928	31.205-46	37,404	11,047	26,357	70.47%
Utilities	11,640			11,640	8,526	3,114	26.75%
TOTAL GENERAL OVERHEAD	\$ 3,386,125	\$ 473,253		\$ 2,912,872	\$ 1,811,650	\$ 1,059,883	
TOTAL INDIRECT COSTS				\$ 3,399,087	\$ 2,082,685	\$ 1,275,063	
PERCENTAGE OF DIRECT LABOR				137.94%	151.62%	116.92%	
FACILITIES CAPITAL COST OF MONEY				2.99%			

See accompanying notes to the schedule of indirect costs.

DENNIS CORPORATION

NOTES TO THE SCHEDULE OF INDIRECT COSTS

DECEMBER 31, 2009

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**NOTE 1 - THE COMPANY**

DENNIS CORPORATION (the Company) is a Southeastern licensed engineering, surveying and construction management firm specializing in a wide range of projects. DENNIS CORPORATION's division include accounting, business development, civil infrastructure, construction management, construction services, expert witness services, information technology, intelligent transportation systems (ITS), marketing, roadway design, special projects, special inspections, structural engineering, building construction management, environmental inspections, steel inspections, surveying and traffic engineering.

The Company was founded in July 2005. Revenue earned from fixed-fee contracts is recognized using the percentage-of-completion method, measured by the percentage of work performed to date to the total estimated work to be performed for each contract. Revenue on cost-plus contracts is recognized primarily as work progresses and as labor hours and expenses are incurred on engineering, construction management, and consulting engagements. These methods are used because management considers them to be the best measure of progress on these contracts.

Changes in contract performance, contract conditions, and profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to revenue and costs, and are recognized in the year in which such revisions are determined. Provisions for estimated losses on work-in-progress, if any, are recognized in the year when such losses are determined.

**NOTE 2 - BASIS OF ACCOUNTING AND DESCRIPTION OF ACCOUNTING SYSTEMS**

The Company's policy is to prepare its overhead schedules, on the basis of accounting practices prescribed by Subparts 9900 and Part 31 of the Federal Acquisition Regulations (FAR). Accordingly, the schedule is not intended to present the results of operations of the Company in conformity with accounting principles generally accepted in the United States of America.

The Company maintains a job-order cost accounting system for the recording and accumulation of costs incurred under these contracts. Each project is assigned a job number so that costs may be segregated and accumulated in the company's job-order cost accounting system.

DENNIS CORPORATION

NOTES TO THE SCHEDULE OF INDIRECT COSTS

DECEMBER 31, 2009

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**NOTE 2 - BASIS OF ACCOUNTING AND DESCRIPTION OF ACCOUNTING SYSTEMS  
(Continued)**

The Company charges labor to all projects at actual costs. Fringe Benefits cost are allocated based on Direct and Indirect Labor. General overhead is allocated based on Direct Labor and Fringe Benefits. Depreciation is allocated based upon actual use. Direct project cost are consistently charged to all projects.

The Company's method of estimating costs for pricing purposes during the proposal process is consistent with the accumulation and reporting of costs under its job-order cost accounting system.

The Company depreciates assets over the estimated useful lives of the related assets on a straight line basis. Estimated useful lives range from 5 to 10 years.

**NOTE 3 - FRINGE BENEFITS**

The fringe benefits are identified as follows:

		Total for Direct and Indirect Labor
Payroll Taxes: FICA and Medicare	\$	247,138
Medical Insurance		170,794
Workers' Compensation Insurance		47,070
Payroll Taxes: FUTA and SUTA		21,213
Total	\$	<u>486,215</u>

DENNIS CORPORATION

NOTES TO THE SCHEDULE OF INDIRECT COSTS

DECEMBER 31, 2009

**NOTE 4 - FACILITIES CAPITAL COST OF MONEY**

The Company's audited facilities capital cost of money for the twelve months ended December 31, 2009 is 2.99%.

**DENNIS CORPORATION  
Facilities Capital Cost of Money  
For the Year Ended December 31, 2009**

	Balance January 1, 2009	Balance December 31, 2009
Recorded and Leased Capital Assets	\$ 1,270,555	\$ 1,539,813
Average Net Book Value	\$ 1,405,184	
Average US Treasury Rate	5.25%	
Facilities Capital Cost (Average X Rate)	\$ 73,772	
Facilities Capital Cost of Money Factor (Cost/Direct Labor Base)	2.99 %	

**NOTE 5 - SUMMARY**

The following tabulations summarize the allowable overhead rates incurred by the Company for the year ended December 31, 2009. The Company allocates indirect salaries to the field office on the basis of direct labor. Indirect expenses are allocated to the field office based upon the ratio of allocated indirect salaries to total home office salaries.

Home Office Rate

Fringe Benefit Rate	19.73%
General Overhead Rate	<u>131.89%</u>
Combined Rate	<u>151.62%</u>

Field Office Rate

Fringe Benefit Rate	19.73%
General Overhead Rate	<u>97.19%</u>
Combined Rate	<u>116.92%</u>

DENNIS CORPORATION

NOTES TO THE SCHEDULE OF INDIRECT COSTS

DECEMBER 31, 2009

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**NOTE 6 - RELATED PARTY TRANSACTIONS**

The company rents one of its offices from a related party.

Rental expenses recorded in the Company's financial statements has been disallowed by \$3,160 to reflect allowable rental expense per FAR 31.205-36(b)(3).

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS AND COMPLIANCE

The Board of Directors  
DENNIS CORPORATION

We have audited the Statement of Direct Labor, Fringe Benefits, and General Overhead-with Field Rates (hereinafter referred to as "the Schedule") of DENNIS CORPORATION (the Company) for the fiscal year ended December 31, 2009, and have issued our report thereon dated February 15, 2010 & September 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits (or examination level attestation engagements) contained in the *Government Auditing Standards* issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Company's financial statements that is more than inconsequential will not be prevented or detected by the Company's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Company's internal control.

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



COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Company's overhead schedule are free of material misstatement, we performed tests of the Company's compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of the applicable sections of Part 31 of the Federal Acquisition Regulation, noncompliance with which could have a direct and material effect on the determination of the amounts reported on the Schedule. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Company's management directly allocated home and field office expenses in September 2010 for the year ended December 31, 2009 financial statements. This action resulted in a different 2009 allocation and has been restated to correctly show the changes.

This report is intended solely for the information and use of the Company and government agencies or other customers related to contracts employing the cost principles of the Federal Acquisition Regulation. This report is not intended to be and should not be used by anyone other than those specified parties.

Burkett Burkett & Burkett

BURKETT BURKETT & BURKETT  
Certified Public Accountants, P.A.  
February 15, 2010  
September 10, 2010