

**DENNIS CORPORATION**

**Statement of Direct Labor, Fringe Benefits,  
and General Overhead**

**For the Year Ended December 31, 2010**

# BURKETT BURKETT & BURKETT

Certified Public Accountants, P.A.

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

The Board of Directors  
DENNIS CORPORATION

We have audited the Statement of Direct Labor, Fringe Benefits, and General Overhead (hereinafter referred to as "the Schedule") of DENNIS CORPORATION (the Company) for the fiscal year ended December 31, 2010. 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, 2010 on the basis of accounting described in Note 2.

In accordance with the *Government Auditing Standards*, we have also issued a report dated April 29, 2011 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  
Certified Public Accountants, P.A.  
West Columbia, South Carolina  
April 29, 2011

**DENNIS CORPORATION**  
**STATEMENT OF DIRECT LABOR, FRINGE BENEFITS, AND GENERAL OVERHEAD-WITH FIELD RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	FINANCIAL STATEMENT EXPENSES	DISALLOWED COSTS	FAR REFERENCE	PROPOSED COMPANY WIDE
DIRECT LABOR	\$ 3,112,134	\$ -		\$ 3,112,134
FRINGE BENEFITS				
Benefits: Bonuses	218,039	\$ 218,039	31.205-6	-
Benefits: PTO	345,964			345,964
Insurance: Medical	241,601	4,465	31.205-19(e)(2)(v)	237,136
Insurance: Workers' Comp	29,087			29,087
Payroll Taxes: FICA and Med	349,183			349,183
Payroll Taxes: FUTA and SUTA	34,771			34,771
TOTAL FRINGE BENEFITS	\$ 1,218,645	\$ 222,504		\$ 996,141
GENERAL OVERHEAD				
Indirect labor	\$ 1,328,119	\$ 12,329	31.205-6	\$ 1,315,790
Indirect labor(field labor)	-			-
Subconsultants	-			-
Advertising and Marketing	90,173	78,196	31.205-1	11,977
Auto expenses	2,172			2,172
Bad debts	(51,453)			(51,453)
Bank Charges	1,821			1,821
Contributions	103,850	103,850	31.205-8	-
Political Contributions	26,528	26,528	31.205-22	-
Depreciation	175,579	5,388	31.205-11	170,191
Dues and subscriptions	70,103	6,305	31.205-1(f)(7)	63,798
Equipment lease	271,213			271,213
Insurance	51,410			51,410
Interest	479,574	479,574	31.205-20	-
Lab testing	1,896			1,896
Meals and entertainment	75,228	52,352	31.205-14/51	22,876
Miscellaneous	6,826			6,826
Office supplies	78,515	1,663	31.205-1/13(b)	76,852
Permitting fees	425			425
Printing and reproduction	18,934			18,934
Professional development	3,097			3,097
Professional fees	377,550	77,482	31.205-27	300,068
Rent	205,201			205,201
Vehicle expense	671,224	386,960	31.205-6(m)(2)	284,264
Repairs and maintenance	98,947			98,947
Supplies	89,217	10,053	31.205-15(a)	79,164
Taxes and license	59,936			59,936
Telephone	105,935			105,935
Temporary help	52,452			52,452
Training	70,435	826	31.205-1	69,609
Travel	(170,769)			(170,769)
Utilities	33,249			33,249
TOTAL GENERAL OVERHEAD	\$ 4,327,387	\$ 1,241,506		\$ 3,085,881
TOTAL INDIRECT COSTS				\$ 4,082,022
PERCENTAGE OF DIRECT LABOR				131.16%
FACILITIES CAPITAL COST OF MONEY				1.08%

See accompanying notes to the schedule of indirect costs.

DENNIS CORPORATION

NOTES TO THE SCHEDULE OF INDIRECT COSTS

DECEMBER 31, 2010

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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, 2010

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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	\$ 349,183
Benefits: PTO	345,964
Insurance: Medical	241,601
Benefits: Bonuses	218,039
Payroll Taxes: FUTA and SUTA	34,771
Insurance: Workers' Comp	29,087
Total	\$ <u>1,218,645</u>

DENNIS CORPORATION

NOTES TO THE SCHEDULE OF INDIRECT COSTS

DECEMBER 31, 2010

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NOTE 4 - FACILITIES CAPITAL COST OF MONEY

The Company's audited facilities capital cost of money for the twelve months ended December 31, 2010 is 1.08%.

**DENNIS CORPORATION**  
**Facilities Capital Cost of Money**  
**For the Year Ended December 31, 2010**

	Balance January 1, 2010	Balance December 31, 2010
Recorded and Leased Capital Assets	\$ 788,733	\$ 1,310,415
Average Net Book Value	\$ 1,049,574	
Average US Treasury Rate	3.188%	
Facilities Capital Cost (Average X Rate)	\$ 33,455	
Facilities Capital Cost of Money Factor (Cost/Direct Labor Base)	1.08 %	

NOTE 5 - SUMMARY

The following tabulations summarize the allowable overhead rates incurred by the Company for the year ended December 31, 2010.

Company Wide Rate

Fringe Benefit Rate	32.01%
General Overhead Rate	<u>99.55%</u>
Combined Rate	<u>131.56%</u>

DENNIS CORPORATION

NOTES TO THE SCHEDULE OF INDIRECT COSTS

DECEMBER 31, 2010

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**NOTE 6 - RELATED PARTY TRANSACTIONS**

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

No rental expenses recorded in the Company's financial statements has been disallowed. All related party rents were allowable per FAR 31.205-36(b)(3).



Certified Public Accountants, P.A.

## 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 (hereinafter referred to as "the Schedule") of DENNIS CORPORATION (the Company) for the fiscal year ended December 31, 2010, and have issued our report thereon dated April 29, 2011. 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.

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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*.

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  
Certified Public Accountants, P.A.  
April 29, 2011