

EQUINE FARM COMPENSATION SURVEY



2006



DEAN, DORTON & FORD

CPAs ■ Business & Financial Advisors



TO: Horse Farm Owners and Managers
SUBJECT: Compensation & Employee Benefits Survey - 2006

Dean, Dorton & Ford, PSC along with KTA/KTOB are pleased to provide the enclosed results of the survey we recently conducted of horse farm employee compensation rates and employee benefit practices. We sent 539 surveys and received 83 responses. We hope these results will be helpful to you in conducting your business in the coming year.

In comparing the results of this survey with the compensation and benefits survey we conducted in 2004, we noted these significant changes:

- 83% provided holiday pay to full time salaried employees in 2006 vs. 71% in 2004, and 79% provided holiday pay to full time hourly employees in 2006 vs. 65% in 2004.
- 74% sponsored employee health coverage in 2006 vs. 83% in 2004.
- 29% required employees to wear uniforms in 2006 vs. 42% in 2004.
- 53% of farm employees were Hispanic nationality in 2006 vs. 43% in 2004, and 44% were U.S. nationality in 2006 vs. 56% in 2004.
- 30% of farms reported workers comp audits in 2006 vs. 24% in 2004, and 7% reported sales tax audits in 2006 vs. 2% in 2004.

Your comments or suggestions about the survey are welcome. We are receptive to any improvements or enhancements that can be made to it. If you received our survey in the past, you will note that we added a few items which were suggested by prior survey participants. We also welcome your ideas about other farm management information that may be helpful for future surveys.

We thank those who responded for their participation.

Dean, Dorton & Ford, P.S.C.



2006 Winner
Best Places to Work
in Kentucky

Acknowledgement: Front cover photo by DDF staff person, Nancy Bickford

Dean, Dorton & Ford, P.S.C. - Equine Industry Group

Located in the heart of central Kentucky, known for its world-class horse farms, racing, and sales, Dean, Dorton & Ford has provided accounting, tax, and business consulting services to the horse industry since our inception in 1979. Our clients cover a broad spectrum of organizations involved in the horse industry, from small boarding farms to large multi-departmental farms involved in boarding, breeding, selling, stallion management, and crop production; from racing stables to a racetrack; from bloodstock agents to equine veterinary firms to equine insurance agencies; and from industry associations to industry publications. Not all of our clients are based in central Kentucky; horse industry clients from other parts of the country and from outside the United States also gain comfort by having our industry specialists work with them.

As a firm, we endeavor to know the business of horses, not just accounting and tax rules relating to the industry. We accomplish this in a number of ways, including meeting periodically, often with outside experts, to discuss business topics of interest in the industry; by reading industry periodicals; by studying the abundance of statistical data available regarding different measures of industry performance; and most usefully, by working with our clients in the industry on their business matters.

We perform a variety of services for our clients involved in the equine industry and welcome inquiries, whether from new participants in the industry who want assistance in properly structuring and administering their stables or farms, or from long-time industry participants seeking to improve the performance and administration of their equine operations. Members of our Equine Industry Group will be pleased to answer any questions you may have. Please call any of the following: Doug Dean, Richard Dorton, Joe Ford, Martha Jones, Emily Carpenter, Jen Shah, Angela Hollearn, or Melissa Hicks.

Please see the following page for an equine industry-specific list of services we provide.

Dean, Dorton & Ford, P.S.C. - Equine Industry Services

Accounting

- For smaller enterprises, directly performing many accounting, payroll, and clerical functions.
- Designing and implementing farm accounting and management information systems.
- Providing financial statements audit, review, and compilation services requested by owners and lenders

Business Consulting

- Developing strategies to use the optimum forms of organization in which to conduct horse and farm businesses.
- Developing financial and business plans for farms, breeding operations, and racing stables.
- Financial analysis of stallion prospects.
- Designing and implementing retirement plan and other employee benefit programs.

Tax

- Developing strategies to make maximum use of potential tax losses.
- Reducing exposure to the hobby loss rules.
- Structuring transactions to avoid or minimize sales and use taxes.
- Avoiding or managing the potential impact of the passive activity loss rules.
- Using current and deferred trades of horses and farms to avoid or postpone income taxes.
- Using the involuntary conversion tax rules to defer income taxes on insurance recoveries related to horse and farm casualties.
- Estate planning designed to use special use valuation and family farm conservation incentives, family limited partnership strategies, and deferred tax payments.
- Handling multi-state tax allocations.
- Helping foreign owners and breeders to minimize exposure to U.S. taxes and comply with filing requirements.
- Developing tax accounting systems to comply, where required, with rules requiring capitalization of preproductive period costs.
- Representing clients with federal and state tax audits.
- Taking advantage of unique tax depreciation rules.

Other

- Retirement plan accounting and administration.
- Health savings accounts (HSA) administration.
- Managing and troubleshooting desktop personal computers, servers, and networks.
- Enabling remote access to e-mail, applications, and files located on the network.
- Implementing Blackberry, Treos, and other smart phones for access to work e-mail.
- Implementing Spam filtering solutions that virtually eliminate junk mail.

ADDRESS: 106 West Vine Street, Suite 600, Lexington, Kentucky 40507

TELEPHONE: (859) 255-2341 **FAX:** (859) 255-0125

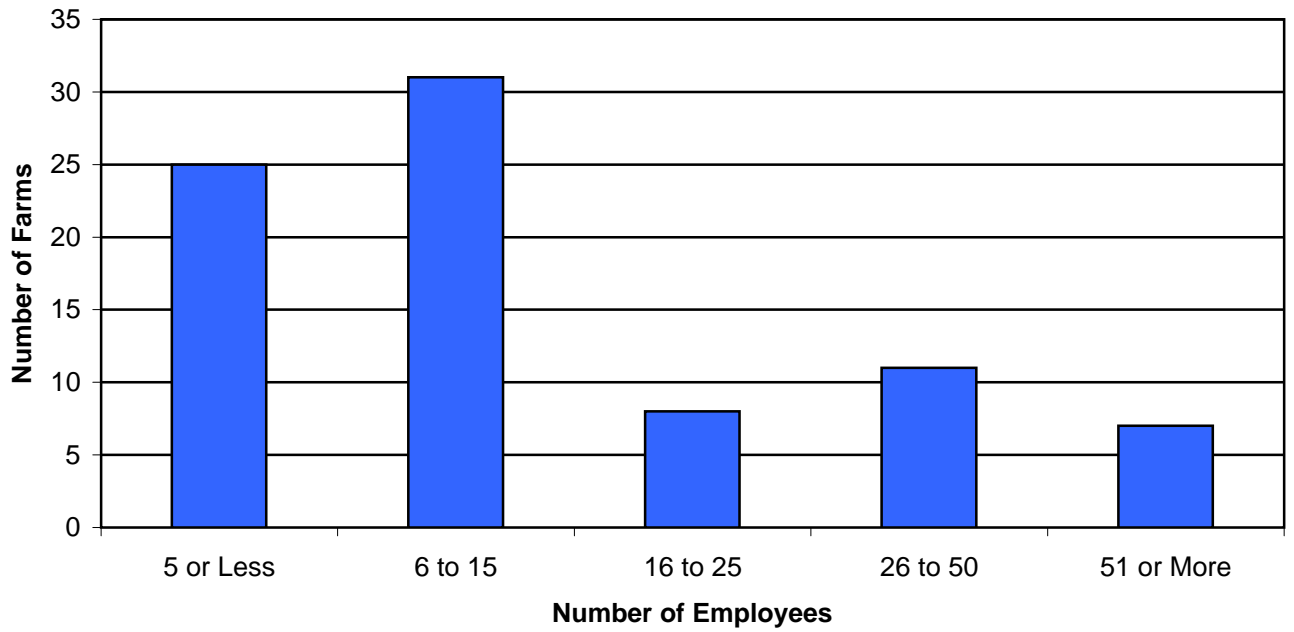
WEB SITE: www.ddfky.com

**DEAN, DORTON & FORD
2006 EQUINE FARM COMPENSATION SURVEY**

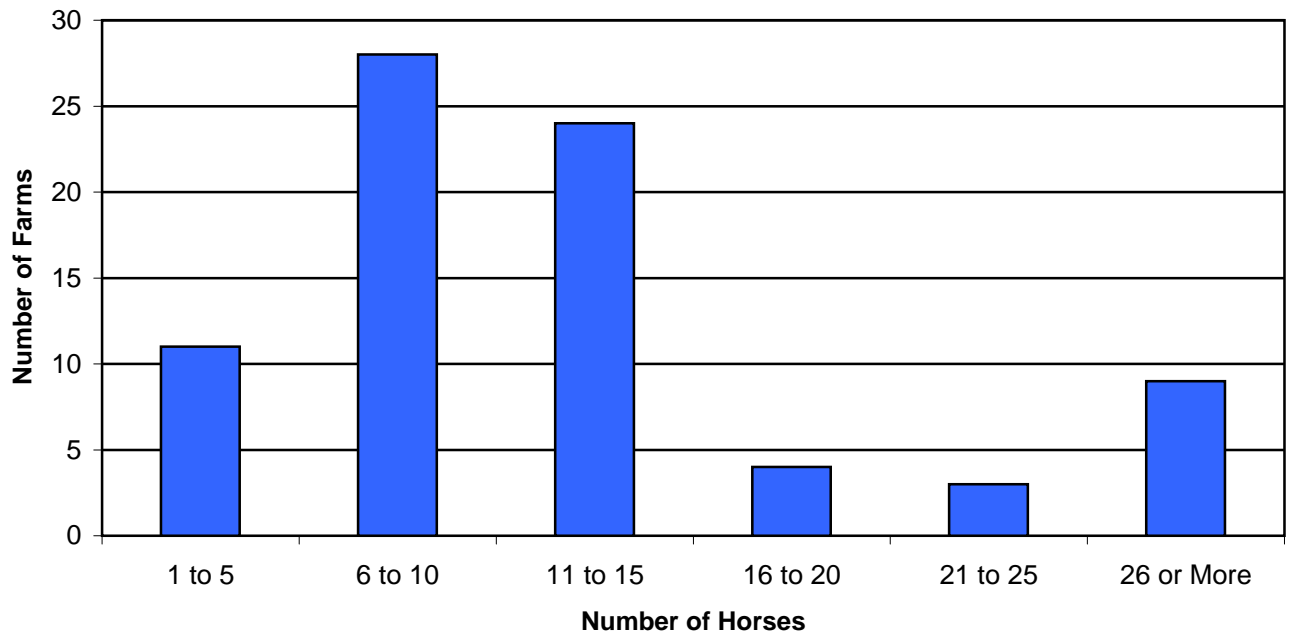
TABLE OF CONTENTS

AVERAGE NUMBER OF FULL-TIME (YEAR-AROUND) EMPLOYEES PER FARM	1
AVERAGE NUMBER OF HORSES MAINTAINED PER FARM EMPLOYEE	1
AVERAGE STARTING PAY RATE RANGE FOR FARM EMPLOYEES:	
SALARIED:	
FARM MANAGER	2
DIVISION MANAGER	3
STALLION MANAGER	3
BUSINESS/FINANCIAL MANAGER	4
OFFICE MANAGER	4
HOURLY:	
GROOM	5
FOREMAN	5
WATCHMAN	6
AGRICULTURAL WORKER	6
SEASONAL WORKER – SALES	7
SEASONAL WORKER – AGRICULTURAL	7
SKILLED LABORER	8
OFFICE CLERK	8
BOOKKEEPER	9
BOOKING SECRETARY	9
DAILY:	
SALES STAFF	10
AVERAGE PAY CYCLES	
SALARIED	11
HOURLY	11
PAYROLL CUTOFF	12
PAYROLL PROCESSING SERVICE	12
RETIREMENT PLANS	13
HOLIDAYS, VACATIONS, AND SICK LEAVE POLICIES	14-17
INSURANCE COVERAGE	18
UNIFORMS	19
HOUSING	20
VEHICLES	21
CAFETERIA PLAN	22
FOREIGN WORKERS / WORKFORCE COMPOSITION	22
AUDITS	23

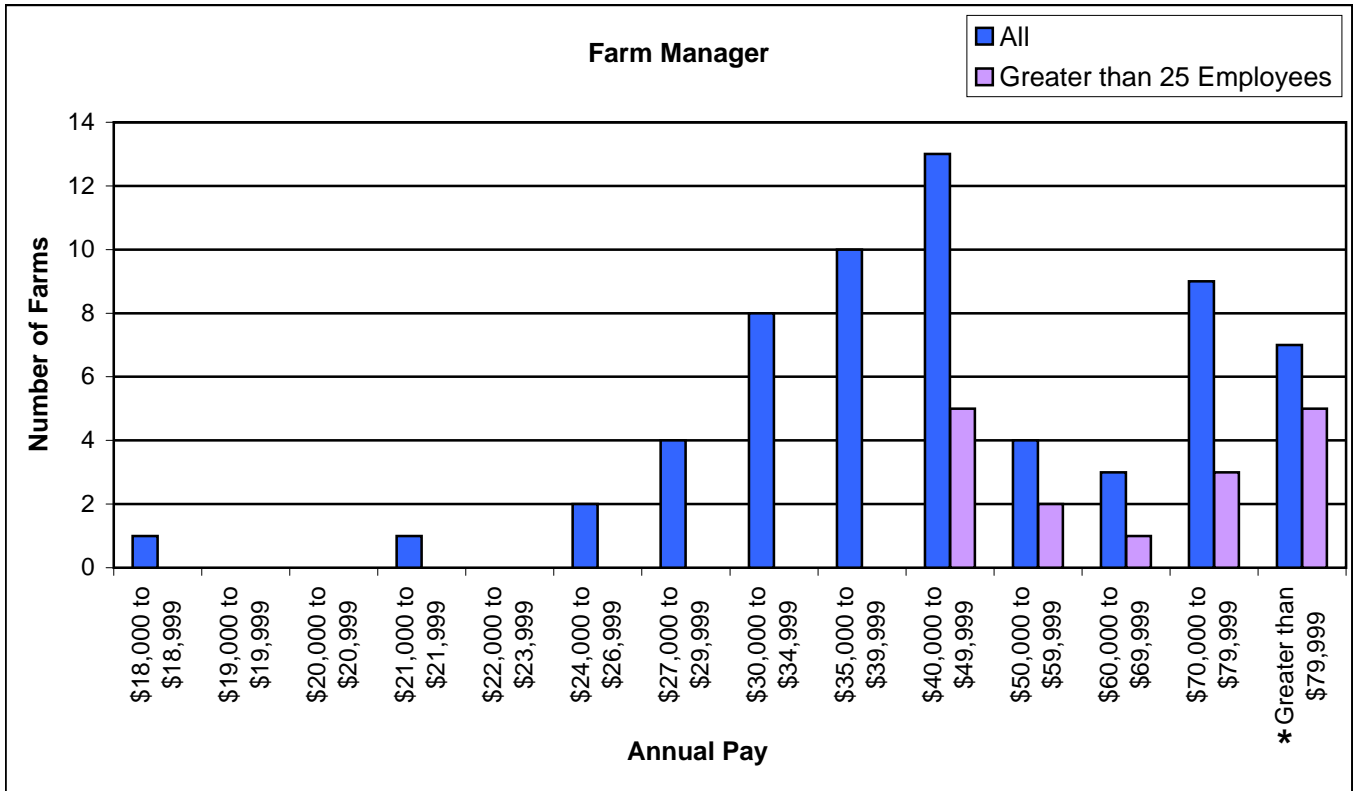
Average Number of Full-time (year-around) Employees



Average Number of Horses Maintained Per Farm Employee



Average Starting Pay Rate Range for Farm Employees - Salaried



*Other Responses Included:

All

3 - greater than \$79,999

1 - \$90,000

1 - \$100,000

1 - greater than \$100,000

1 - \$200,000

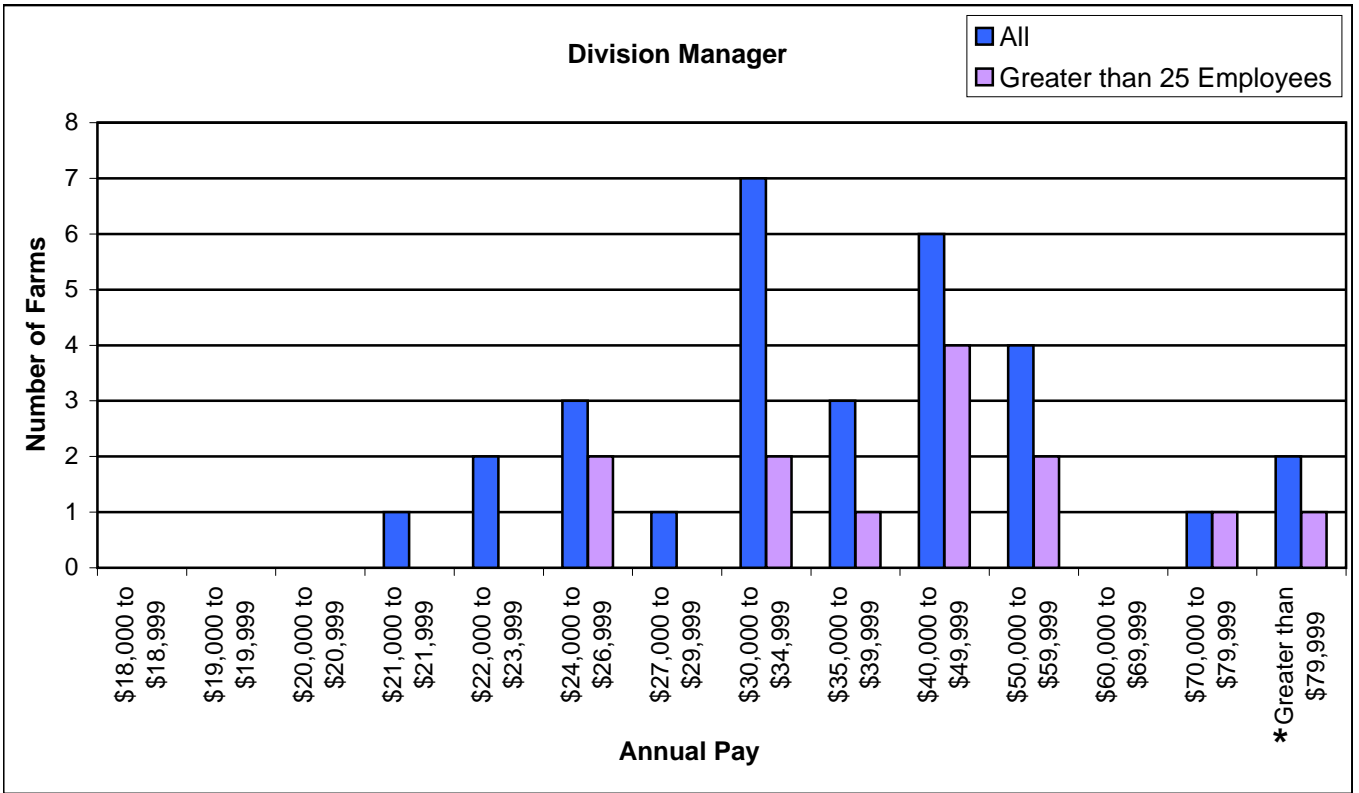
Greater than 25 employees

2 - greater than \$79,999

1 - \$90,000

1 - greater than \$100,000

1 - \$200,000



*Other Responses Included:

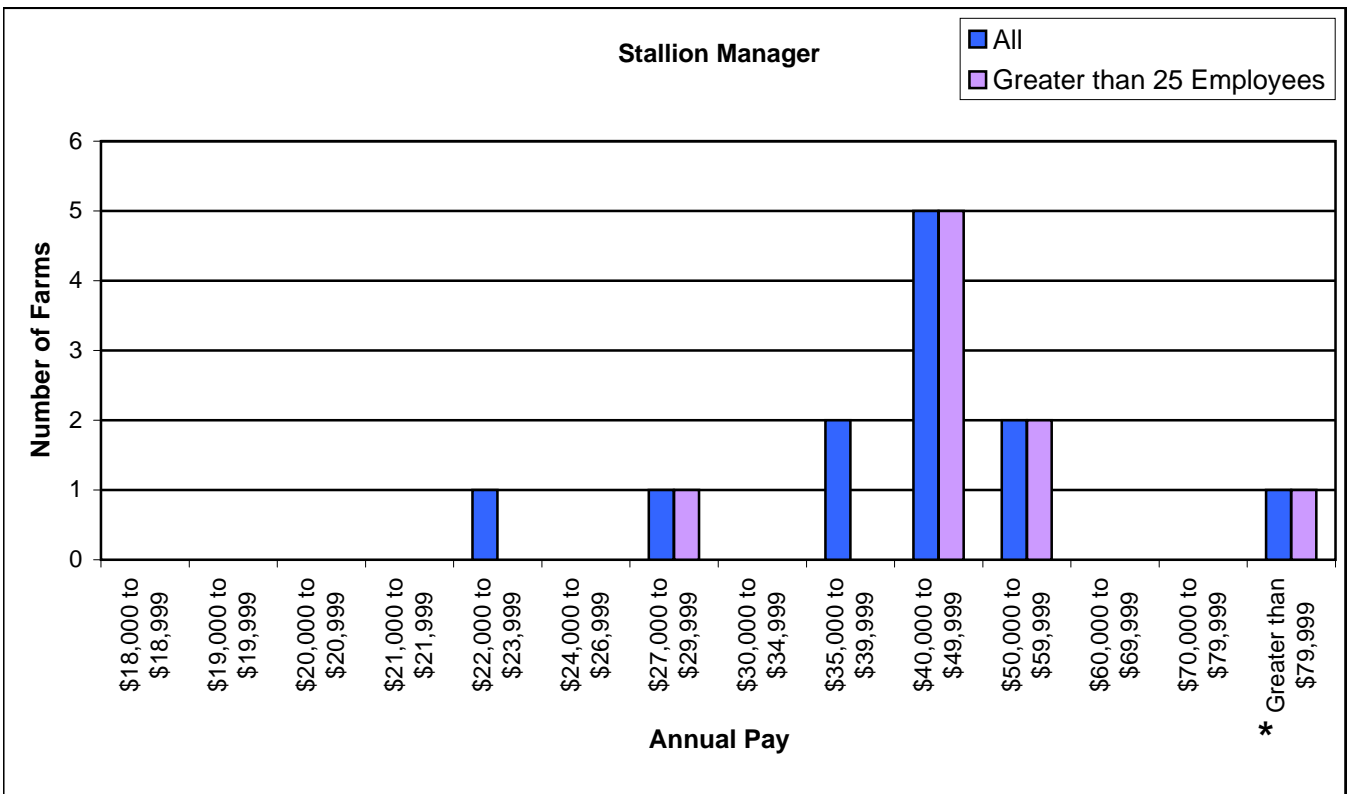
All

1 - \$100,000

1 - \$150,000

Greater than 25 employees

1 - \$150,000



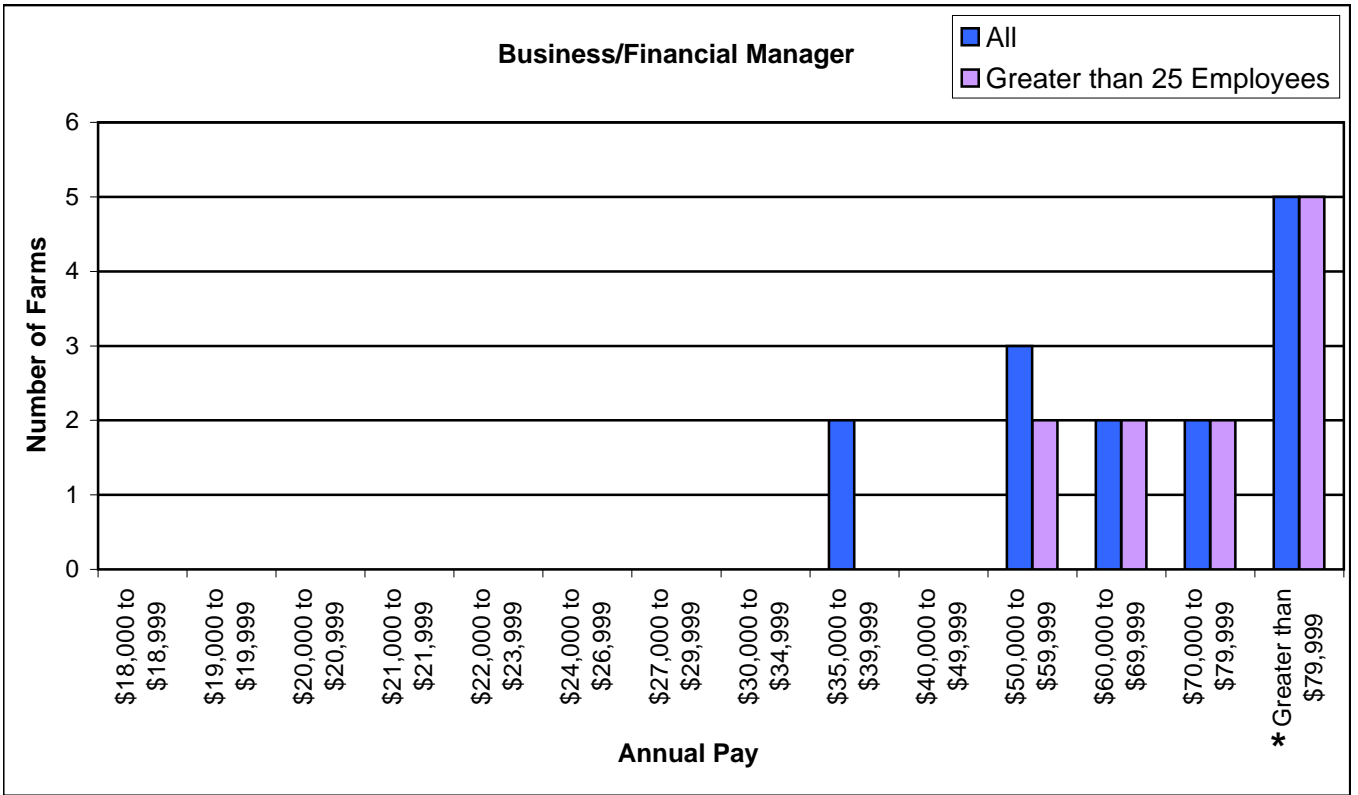
*Other Responses Included:

All

1 - \$100,000

Greater than 25 employees

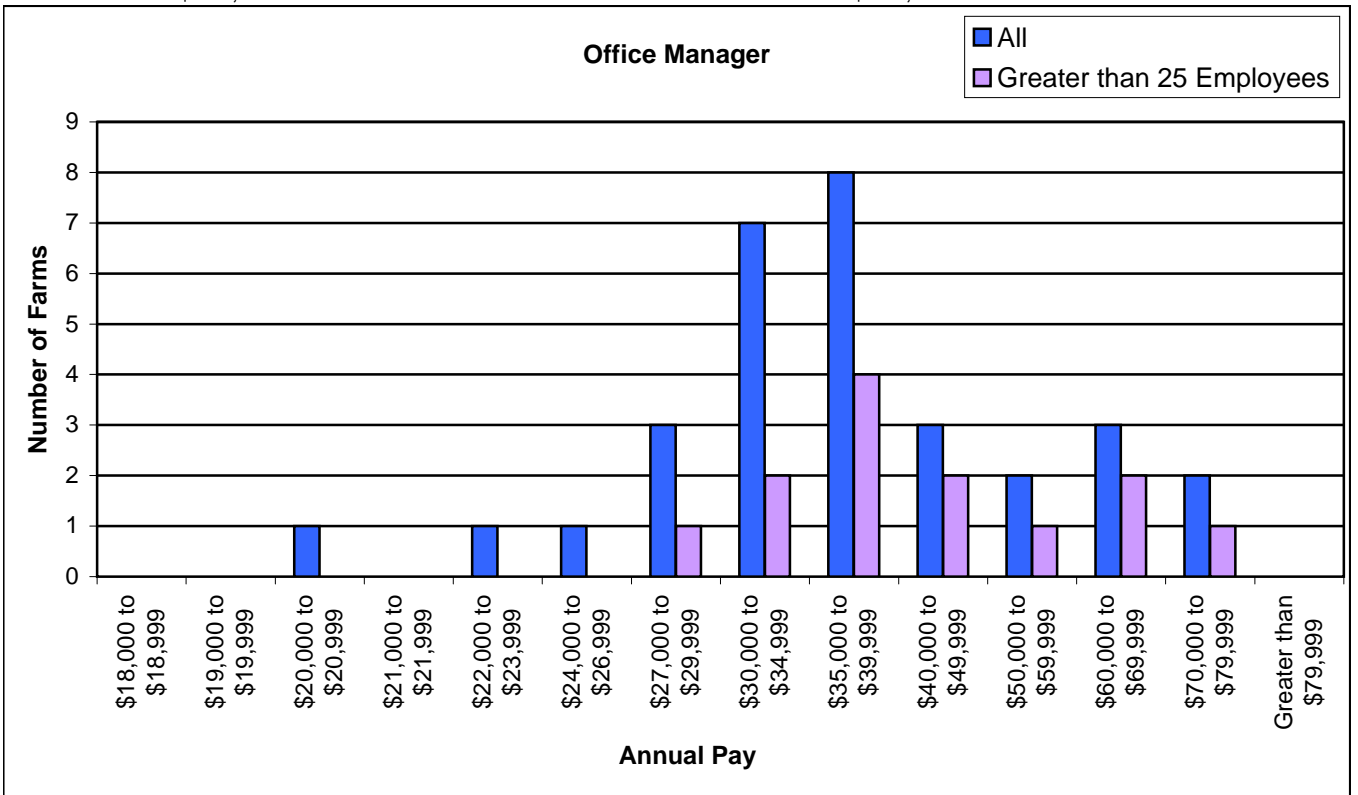
1 - \$100,000



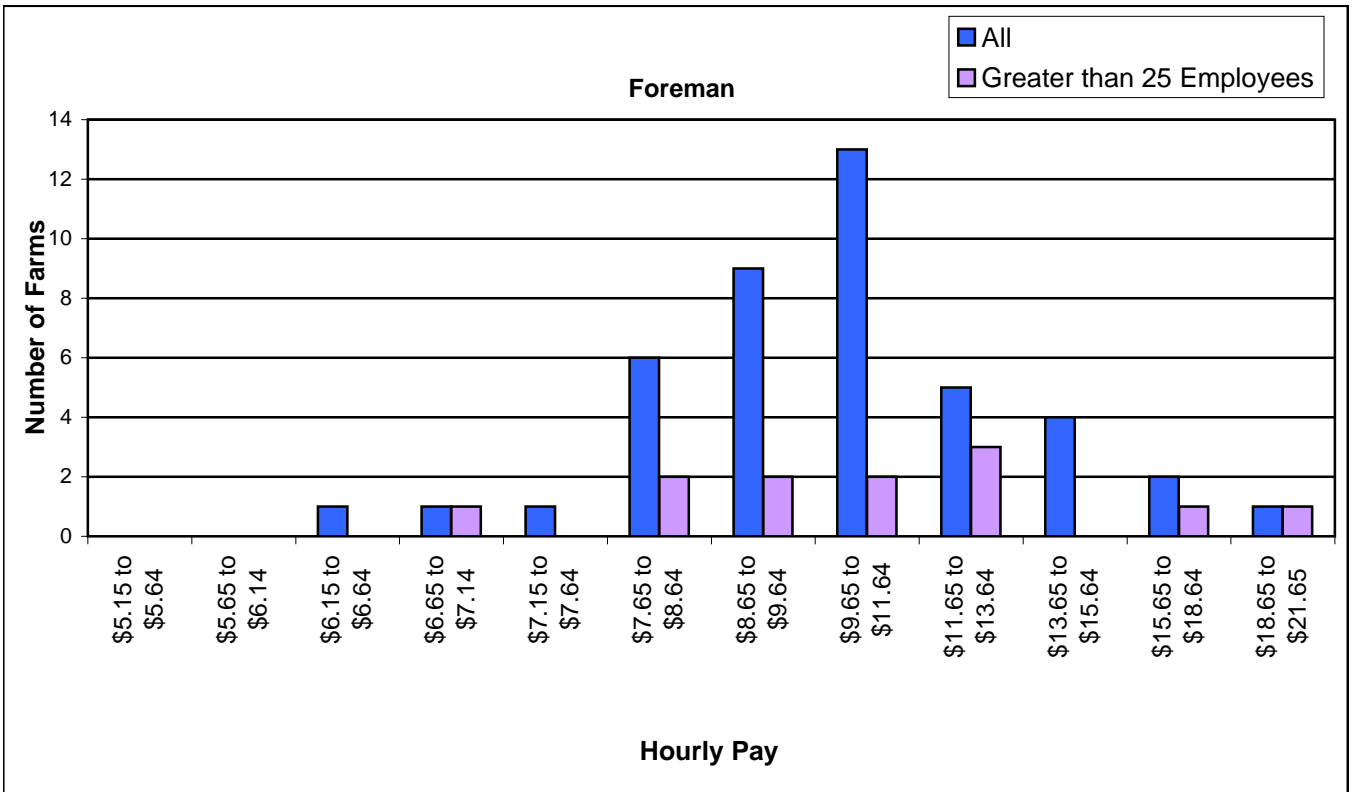
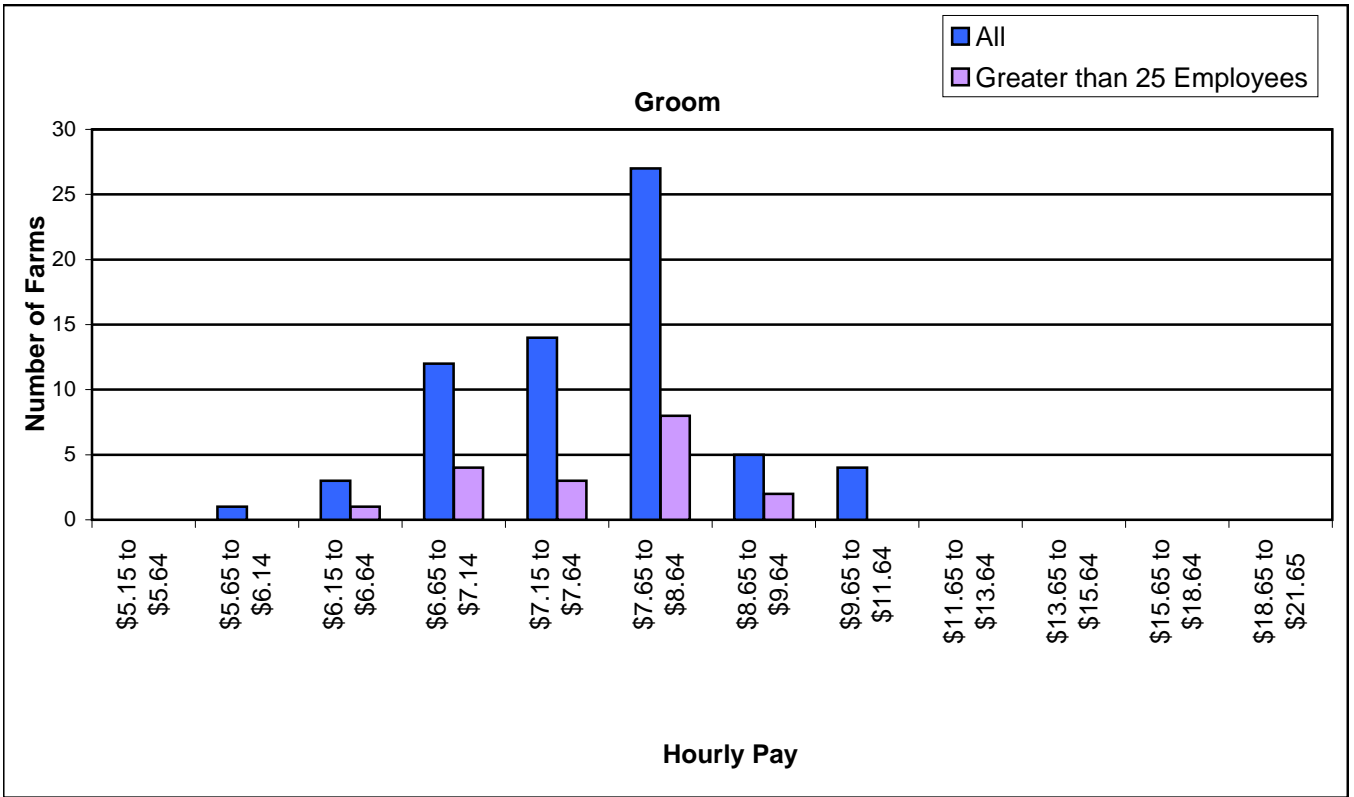
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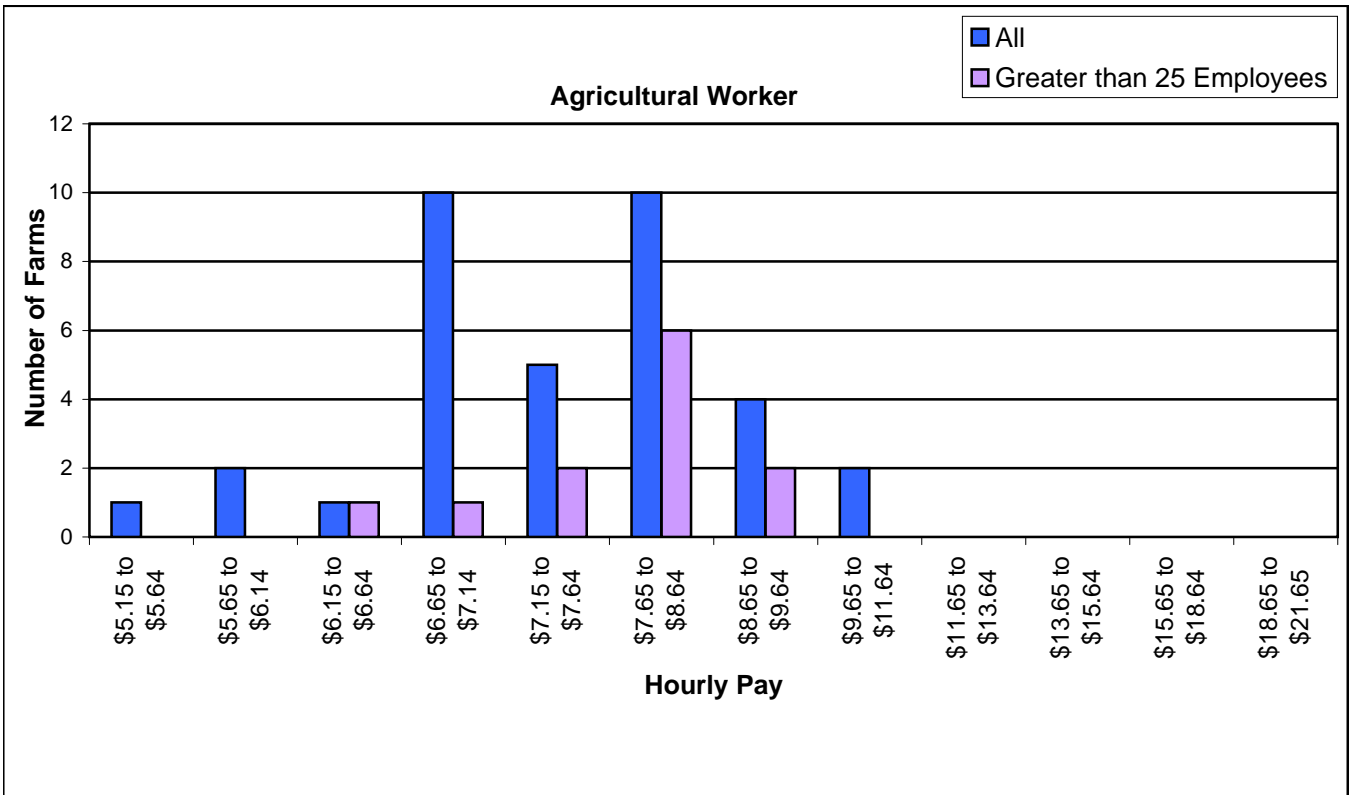
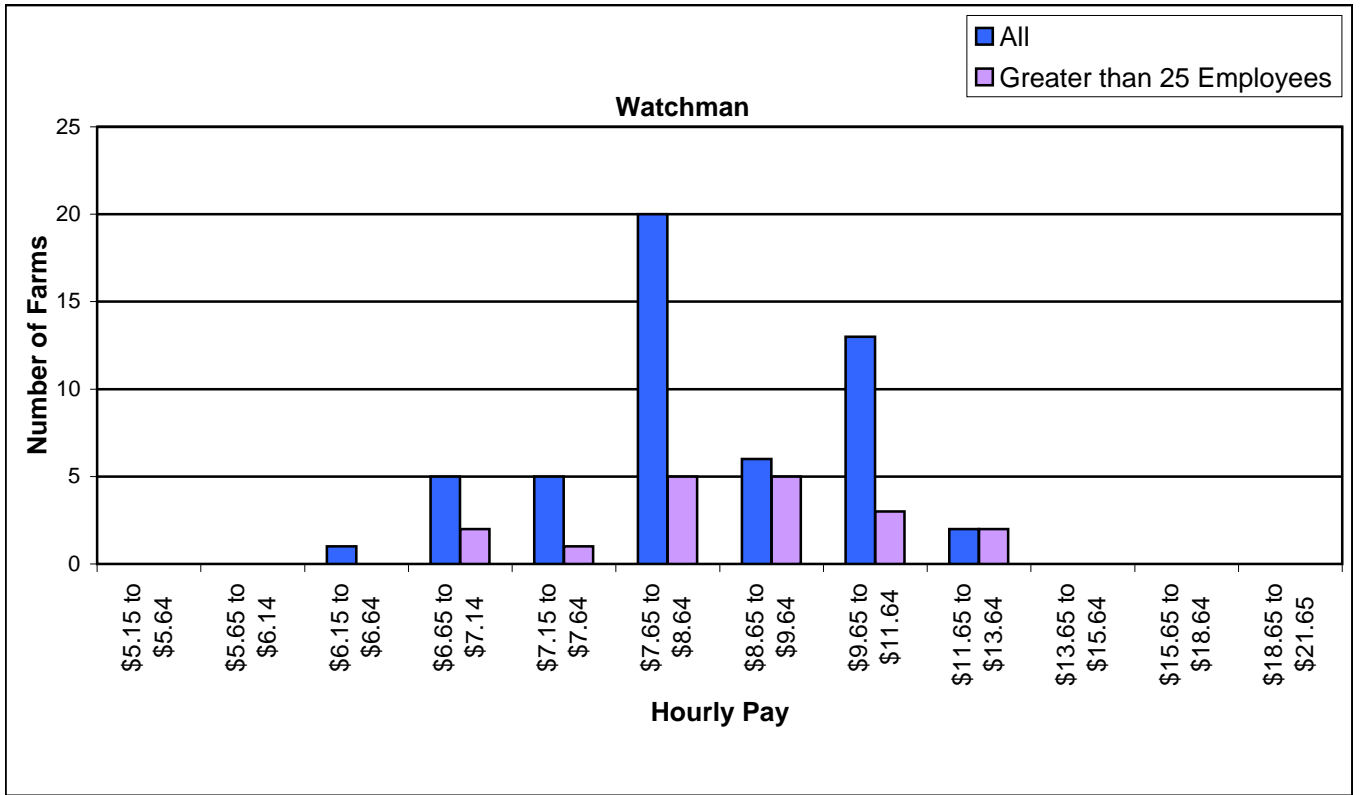
All
 3 - greater than \$79,999
 1 - \$90,000
 1 - \$200,000

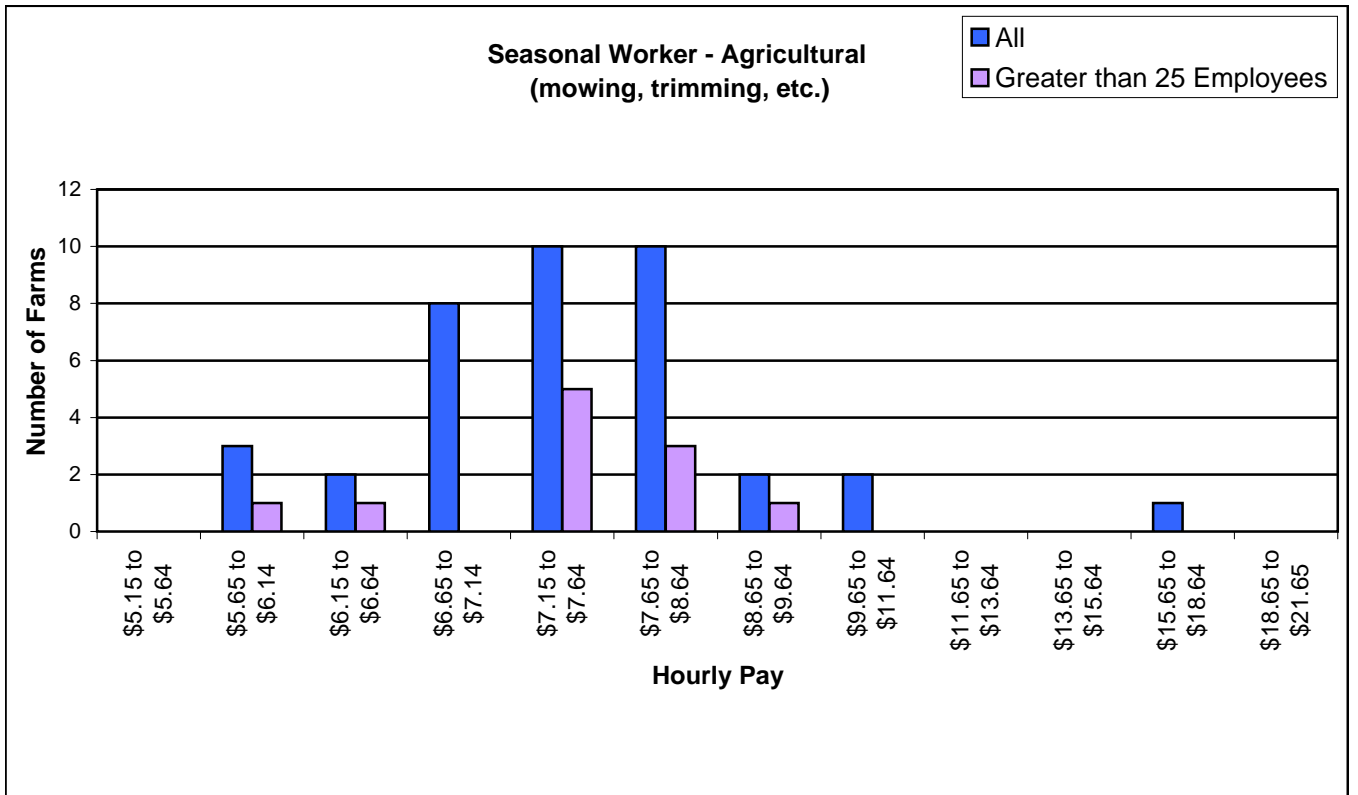
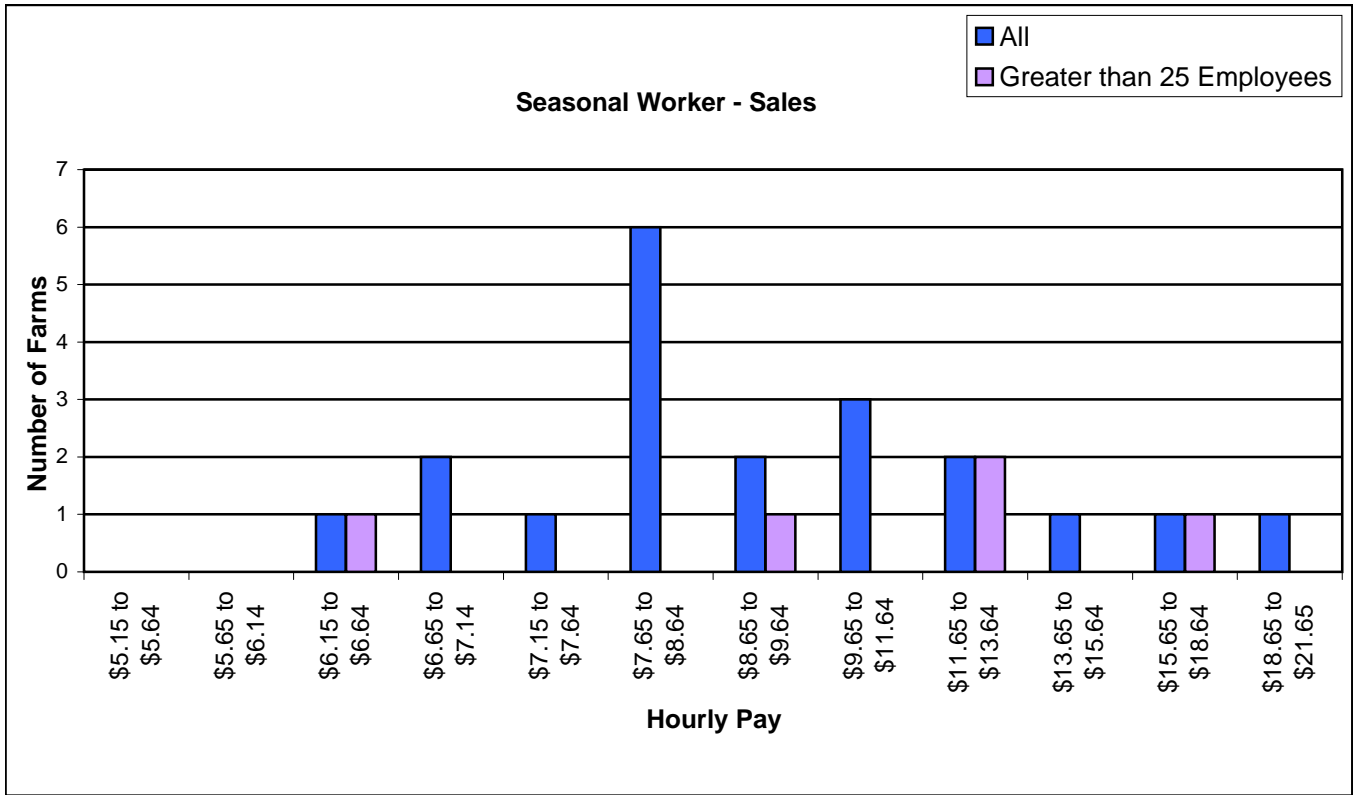
Greater than 25 employees
 3 - greater than \$79,999
 1 - \$90,000
 1 - \$200,000

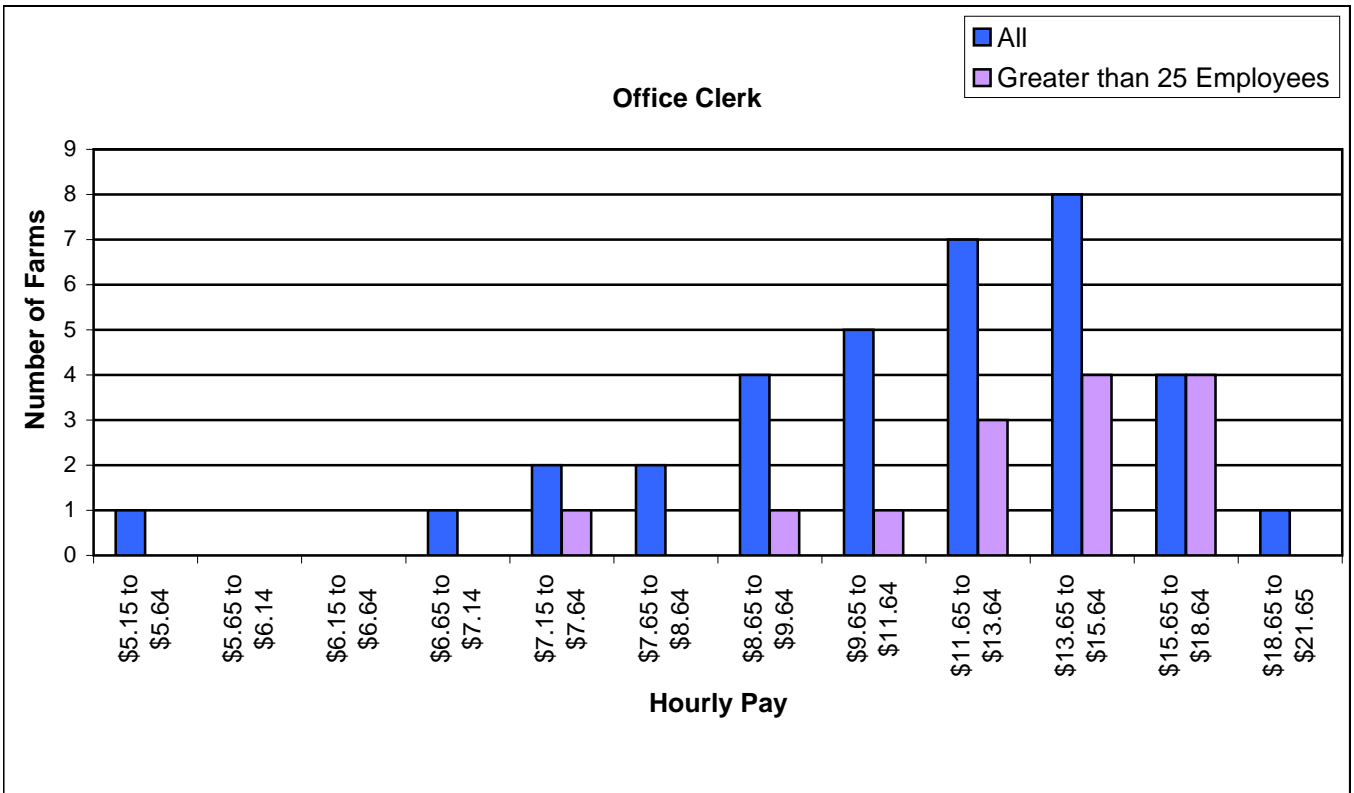
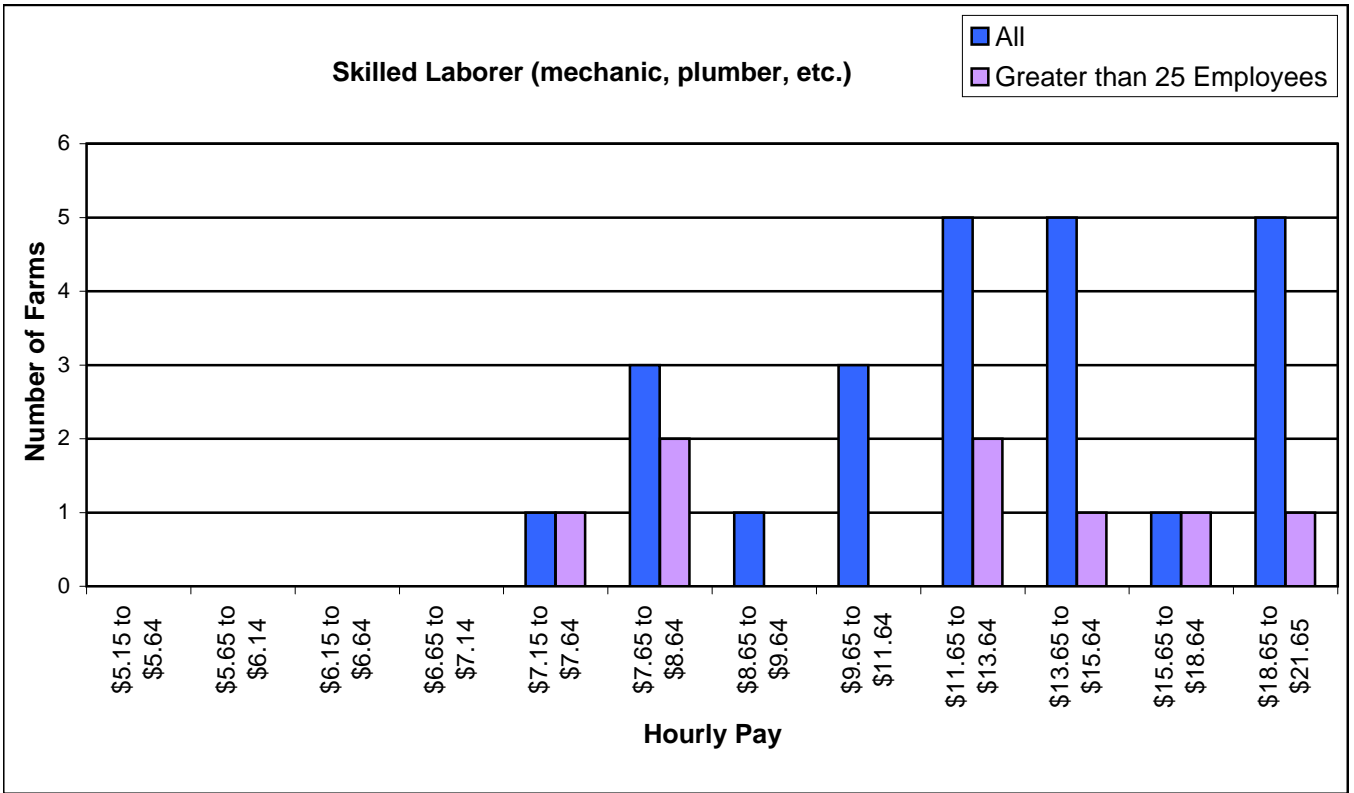


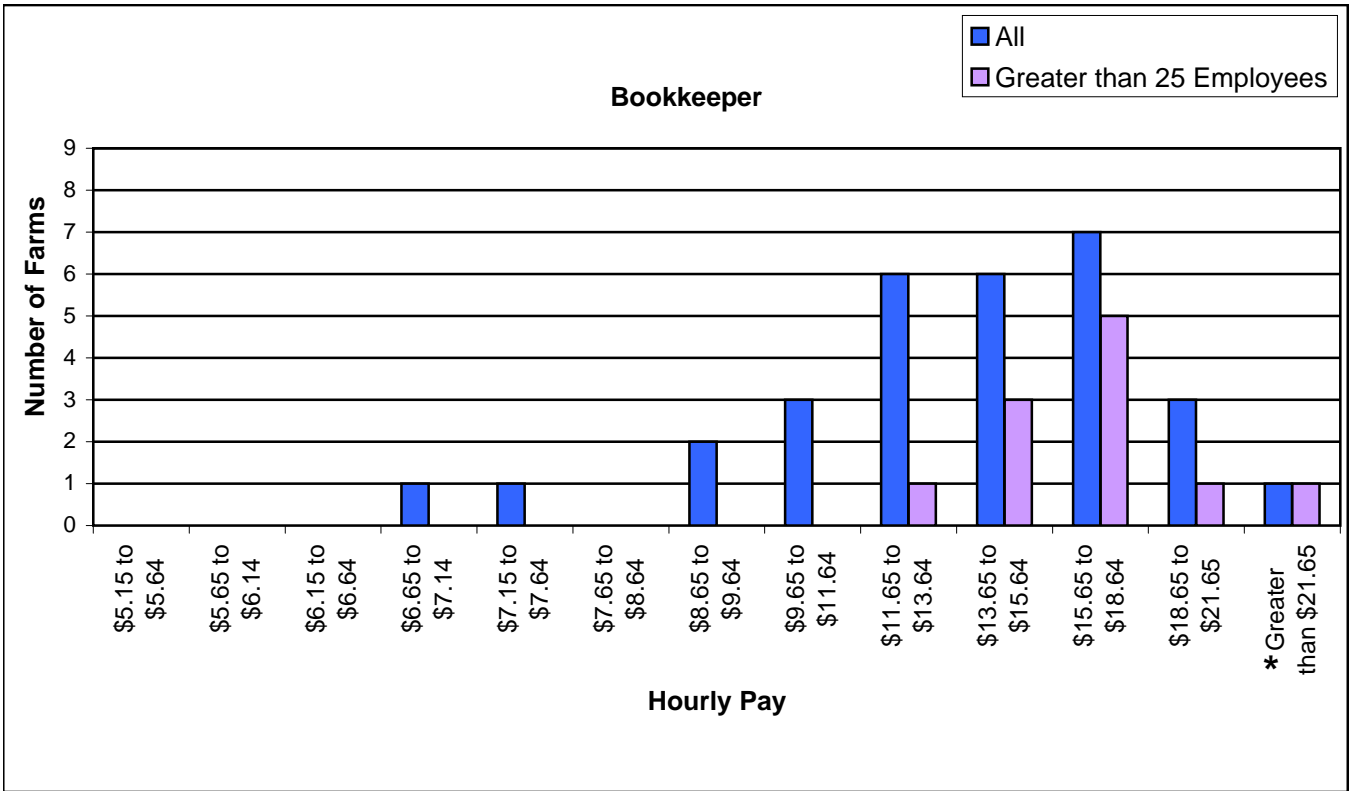
Average Starting Pay Rate Range for Farm Employees - Hourly







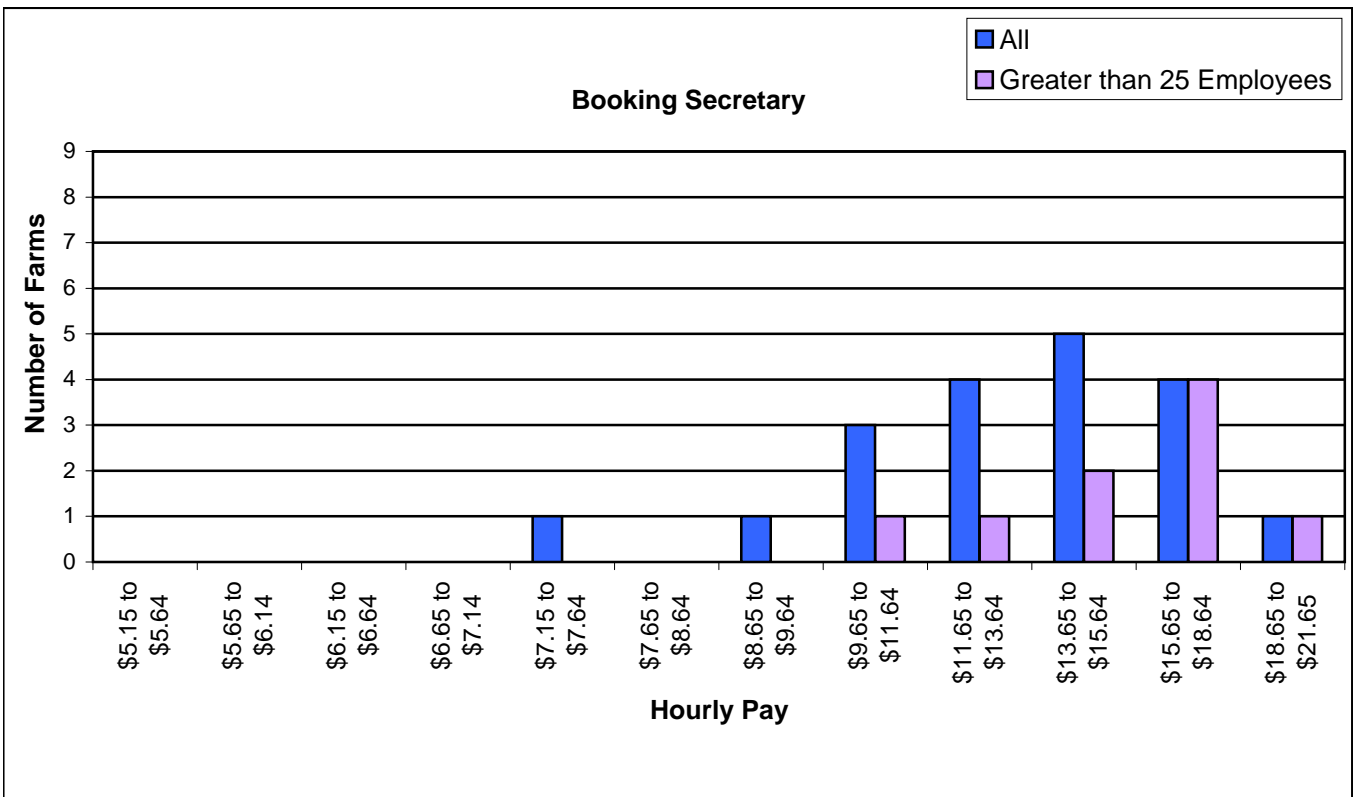


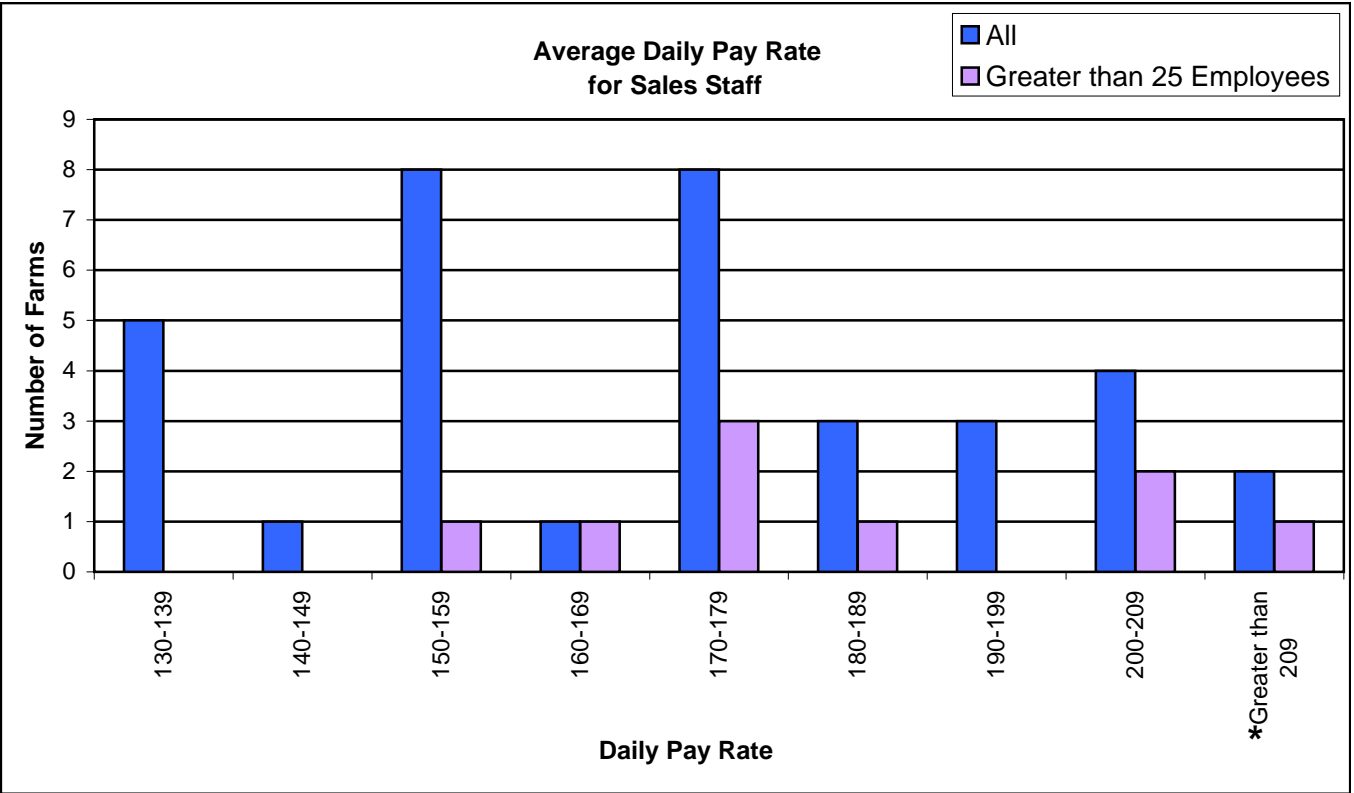


*Other Responses Included:

All
1 - \$25

Greater than 25 employees
1 - \$25





*Other Responses Included:

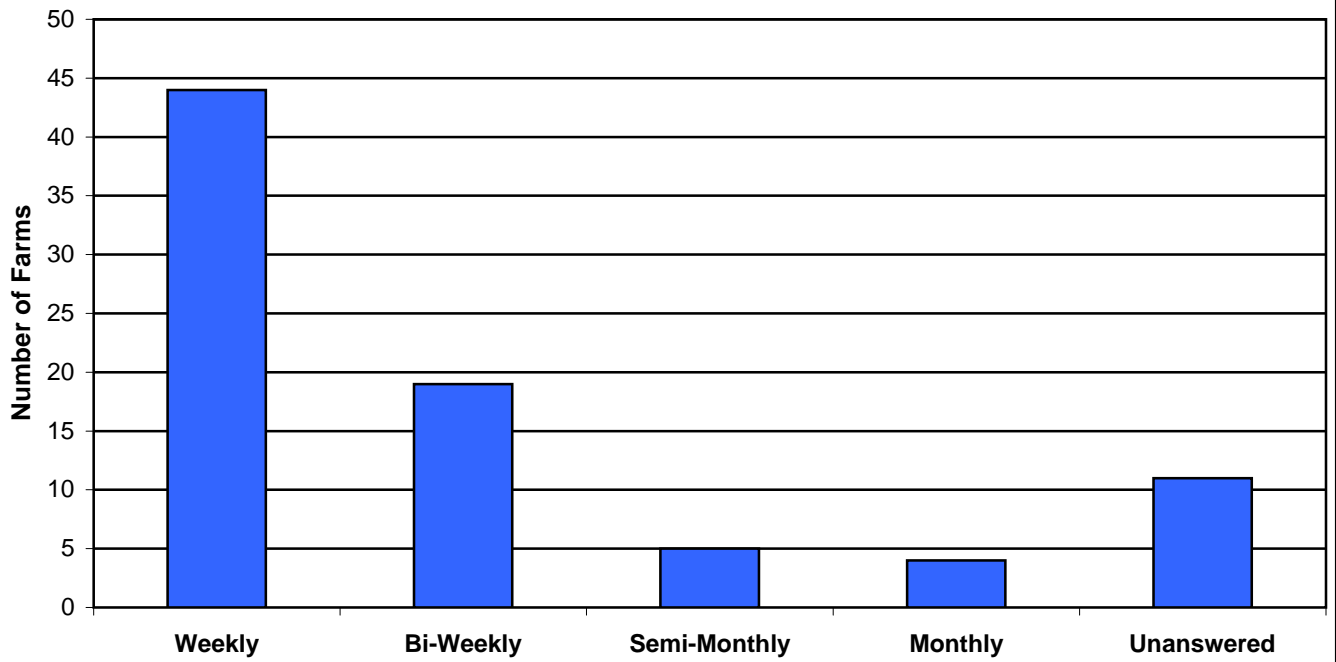
All

2 - \$250

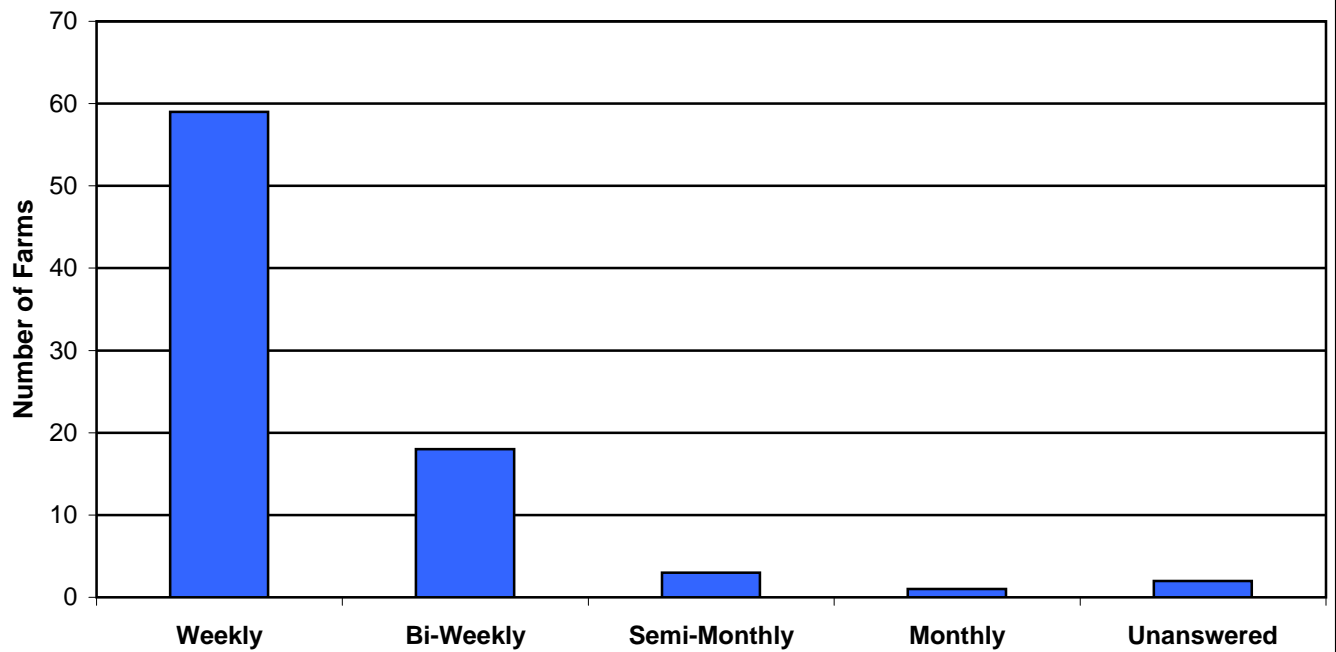
Greater than 25 employees

1 - \$250

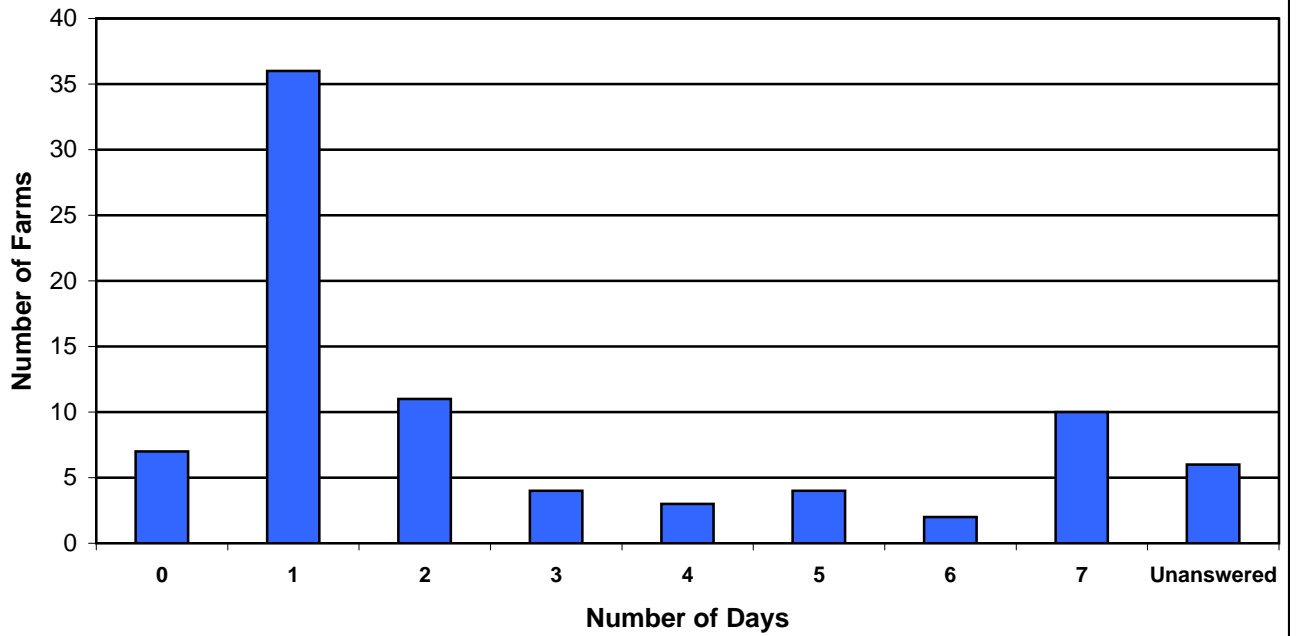
How Often Salaried Employees Are Paid



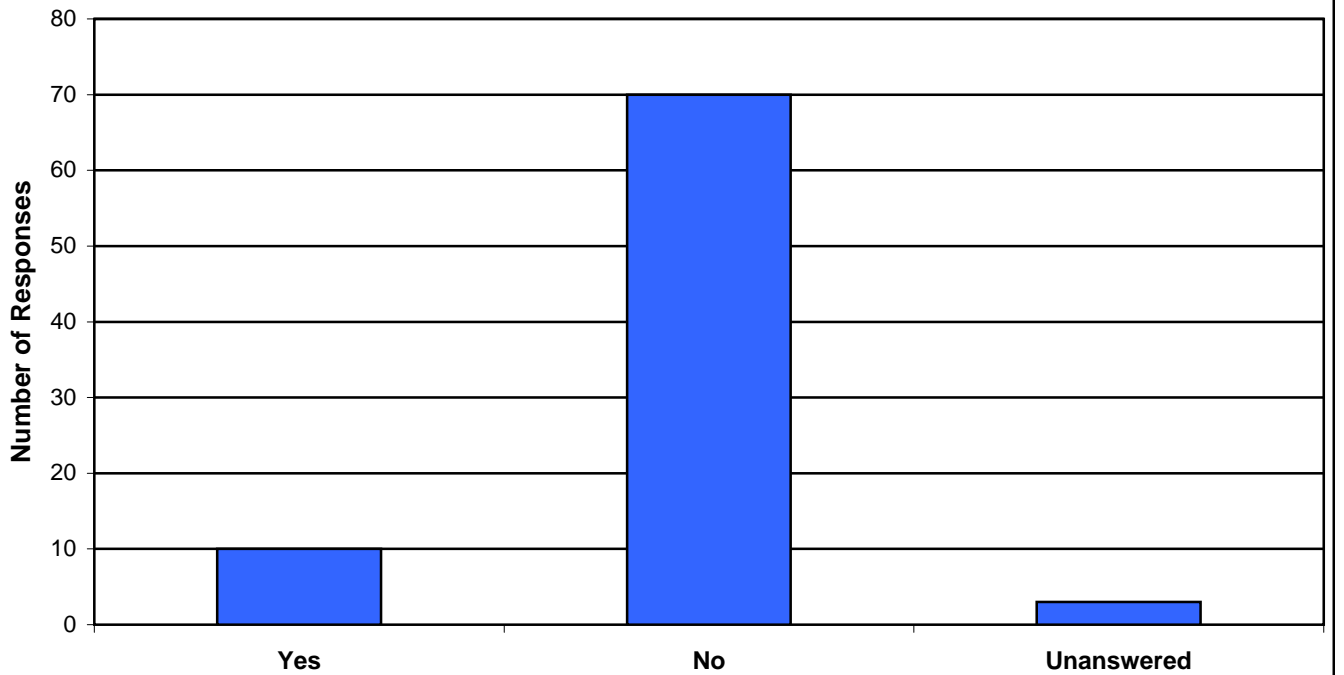
How Often Hourly Employees Are Paid



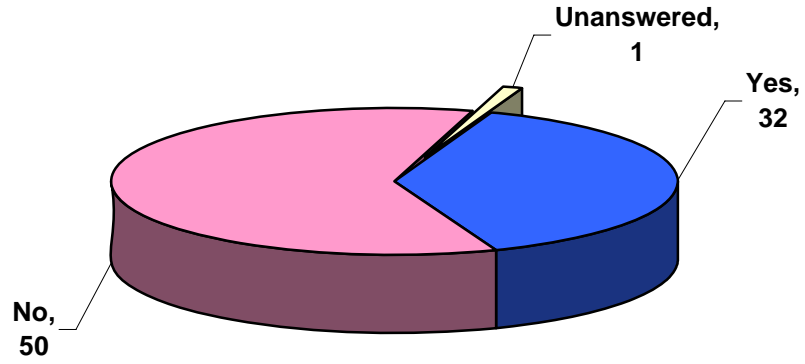
Number of Days Between Payroll Cut-off and Pay Day



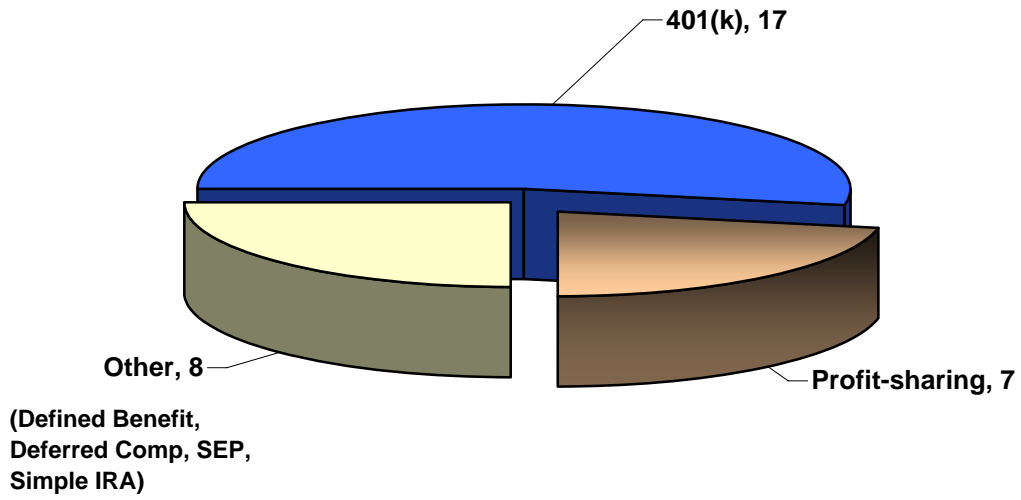
Number of Farms That Use a Payroll Processing Service



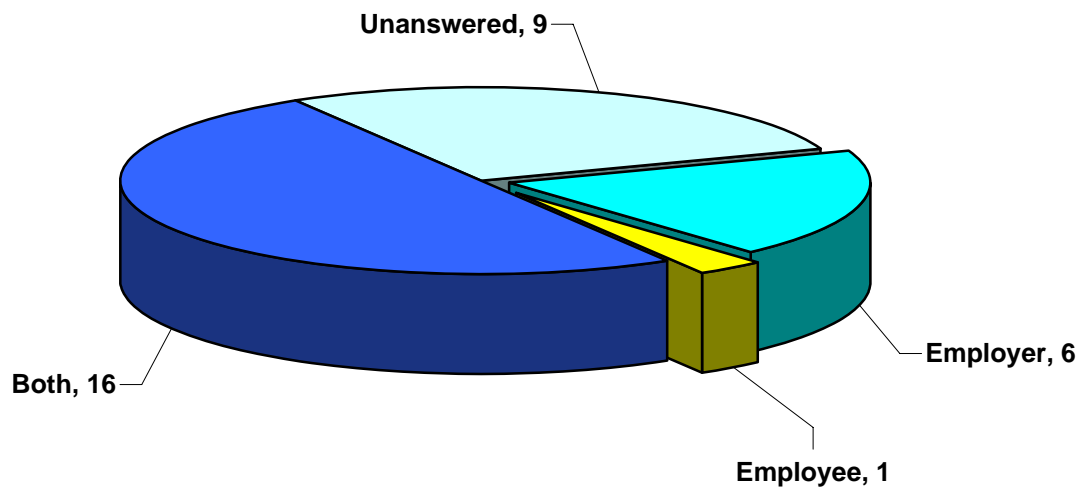
Farms Providing Retirement Plans



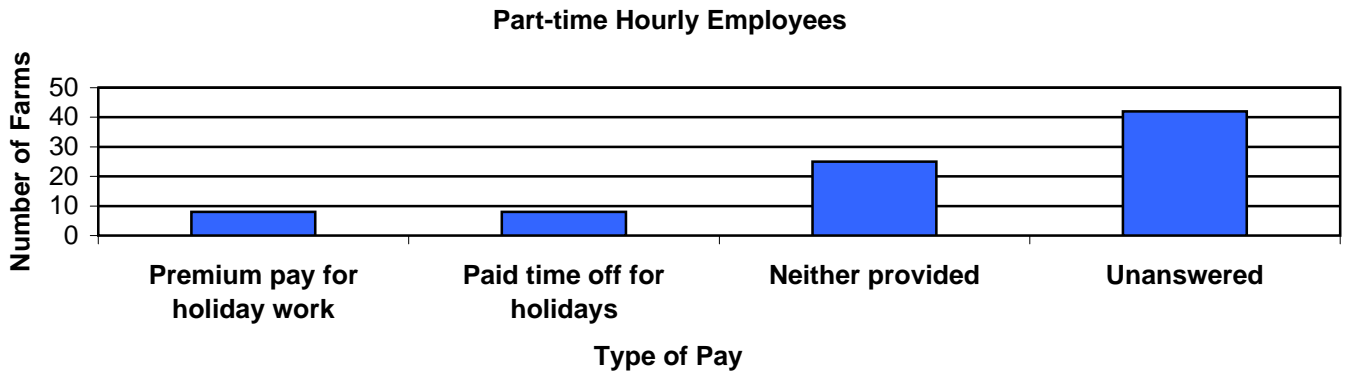
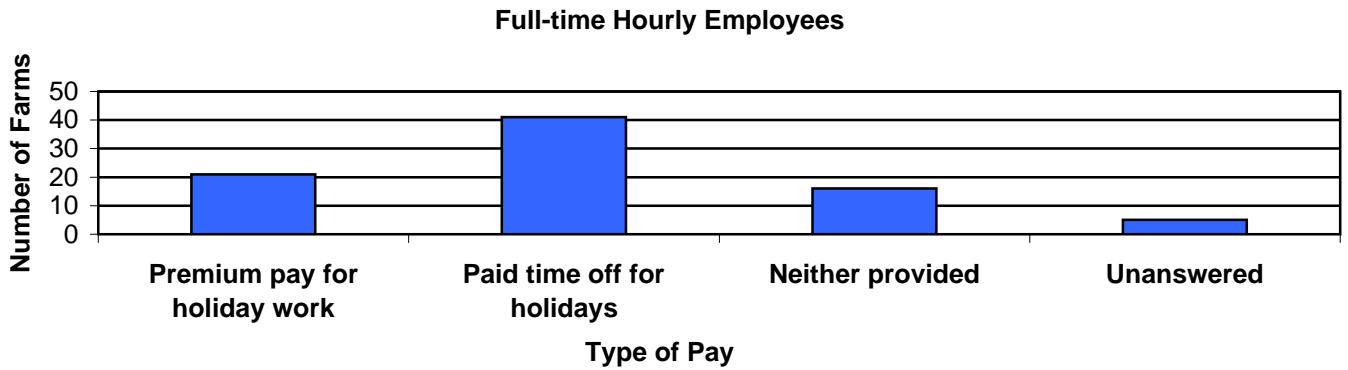
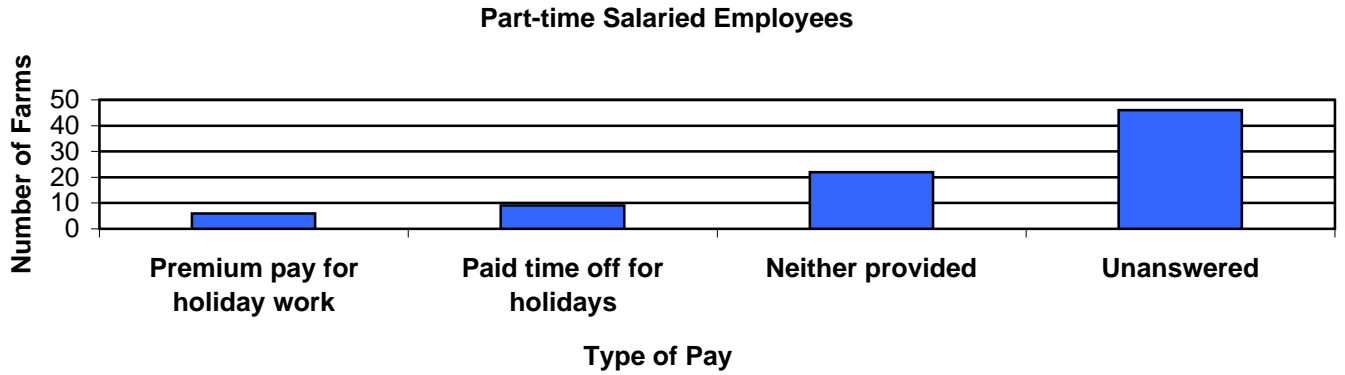
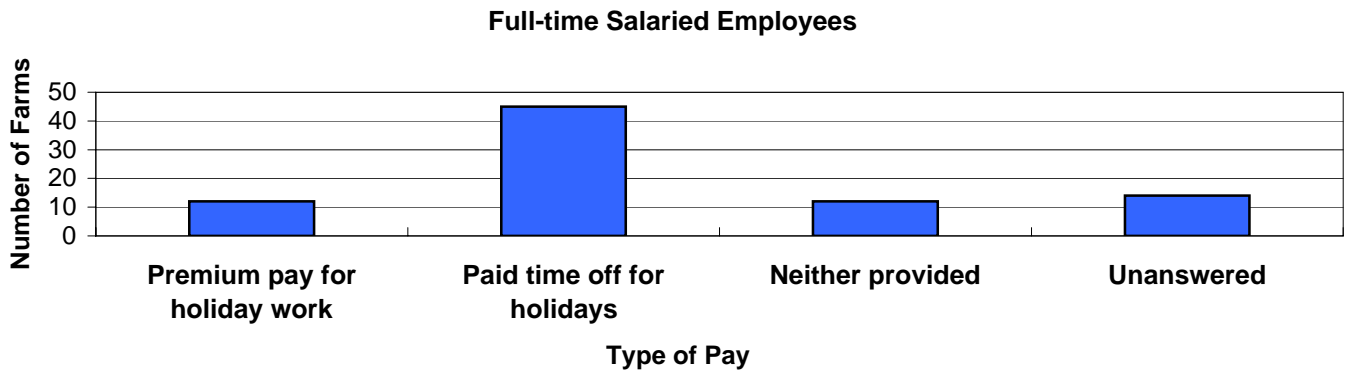
If yes, type of plan provided



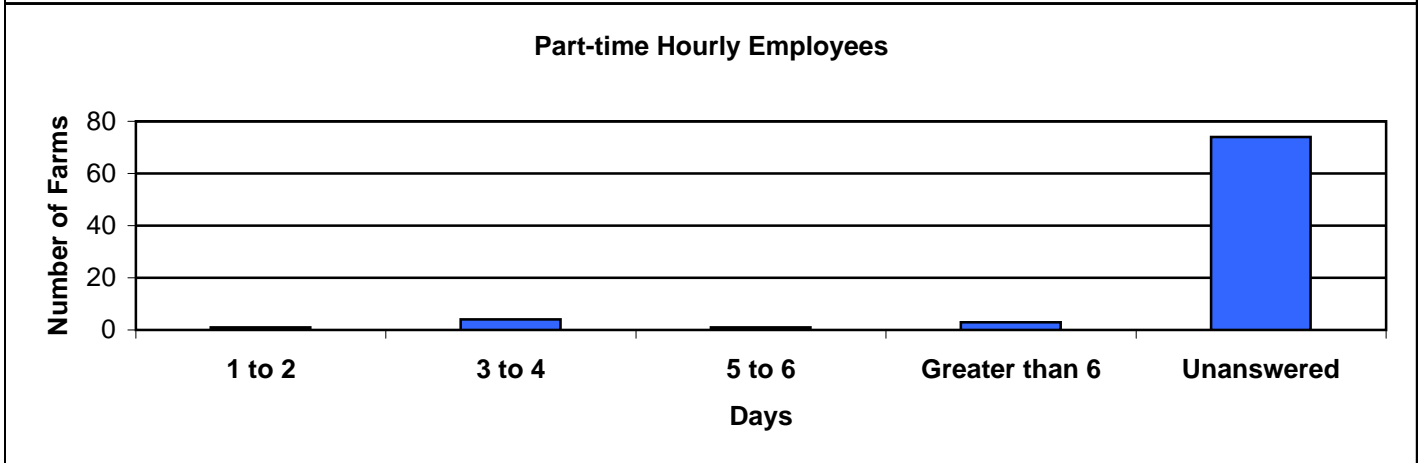
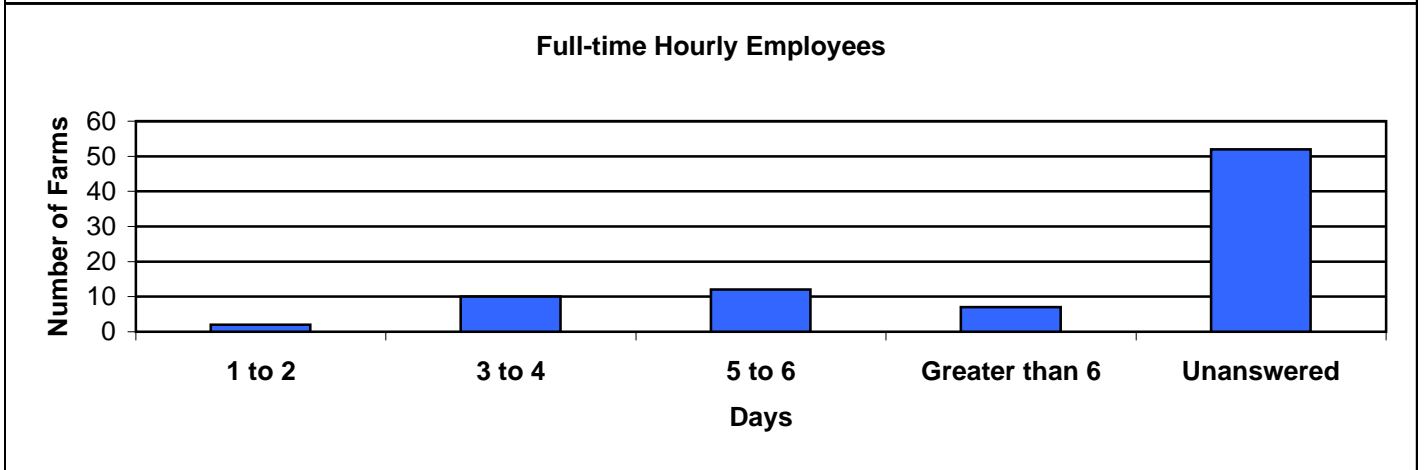
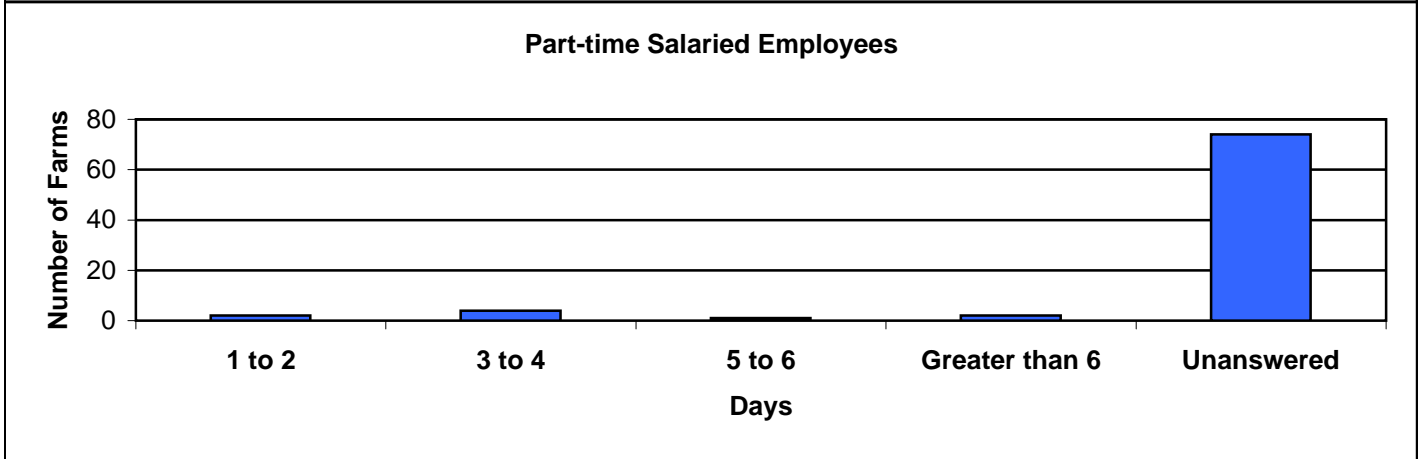
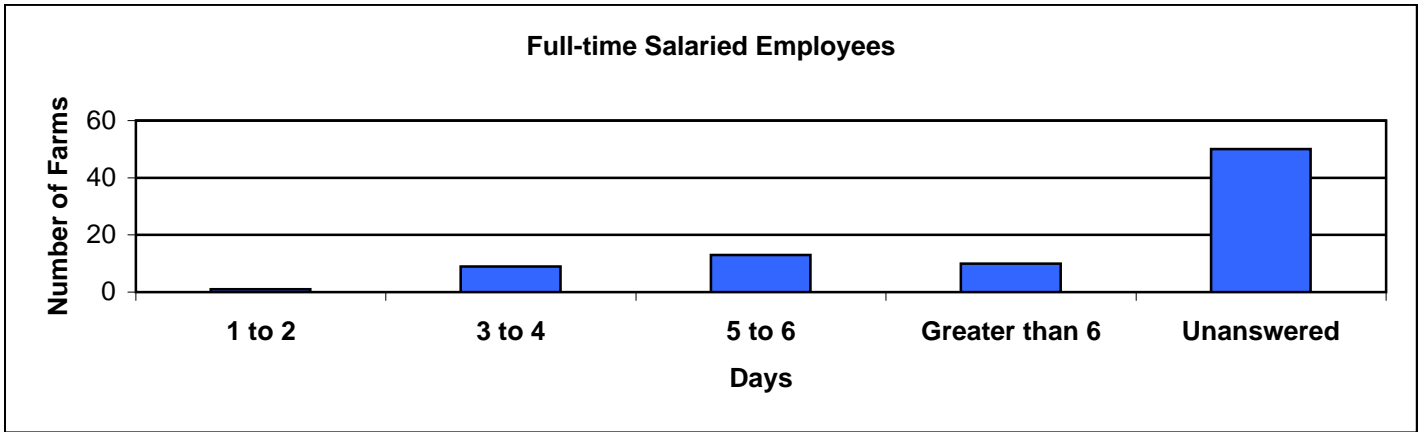
If yes, funding provided by



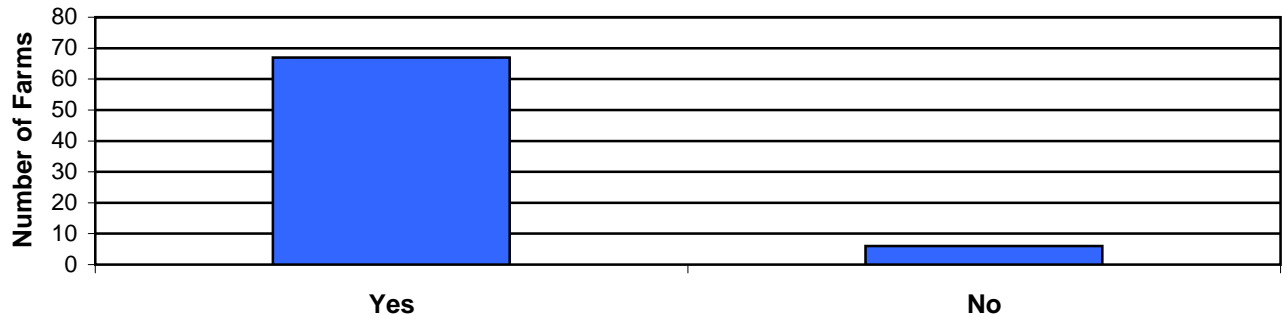
Premium Pay for Holiday Actually Worked OR Paid Time Off for Holiday



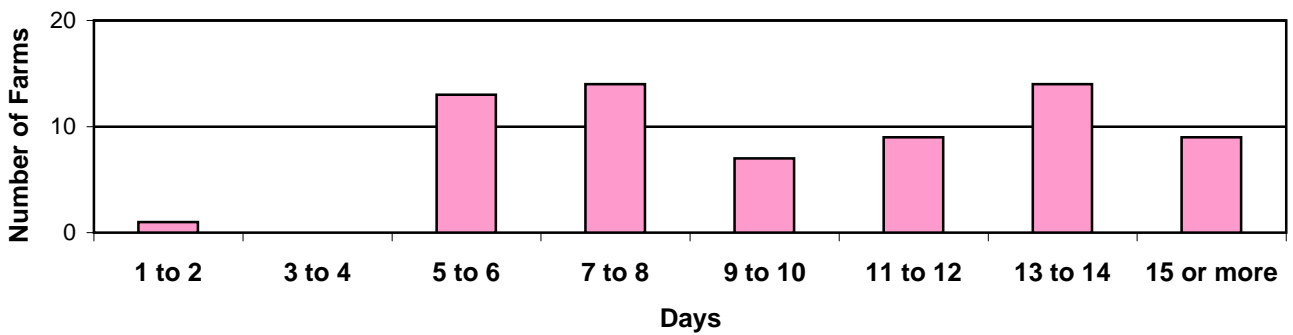
Number of Premium Pay OR Paid Time Off Holidays Allowed



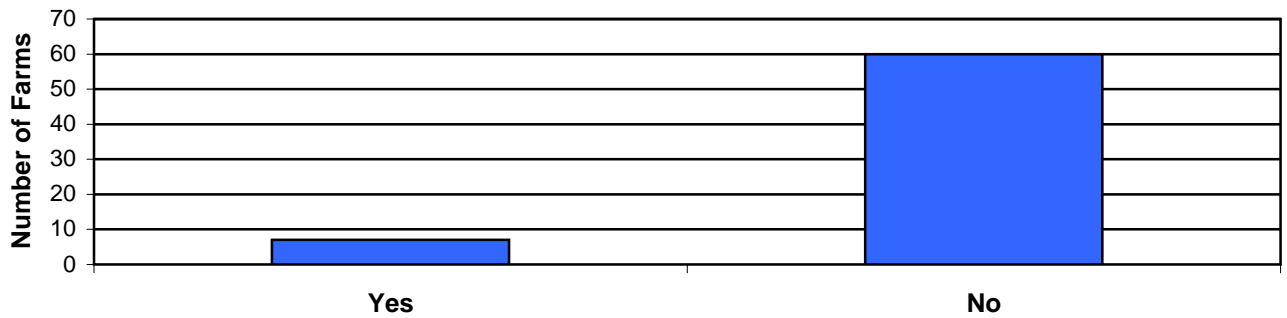
Farms Providing Paid Vacations for Full-time Employees



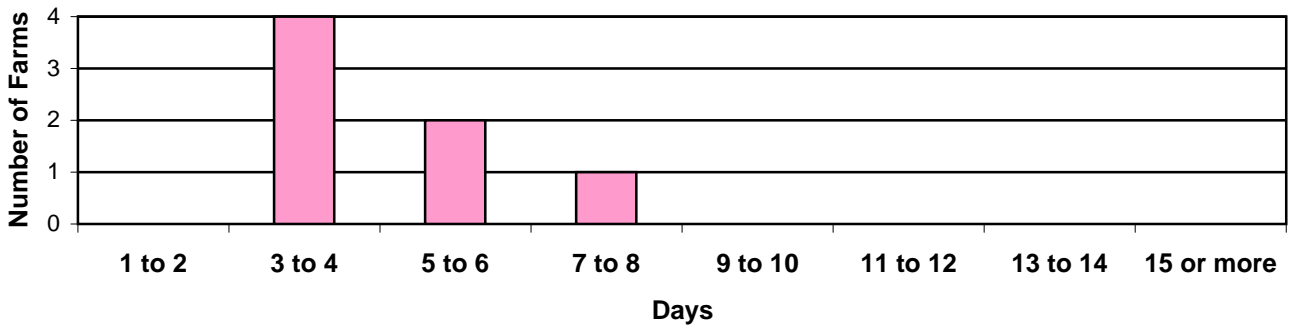
If provided, number of days allowed for vacations



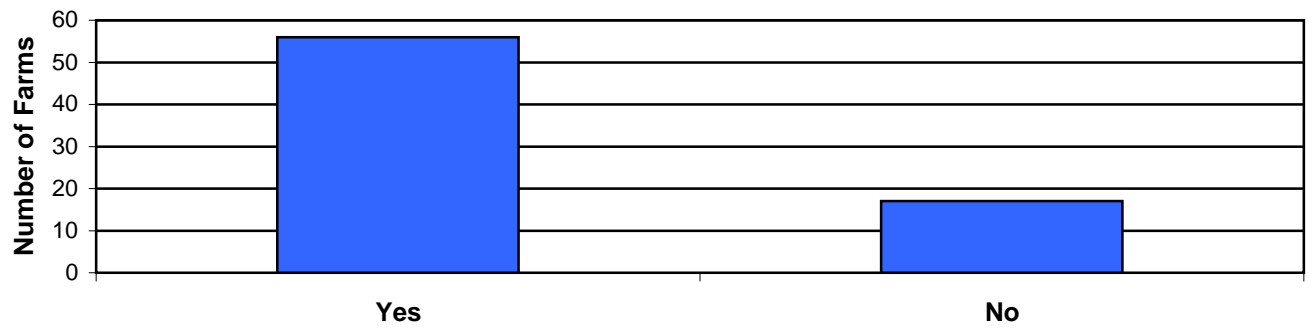
Farms Providing Paid Vacations for Part-time Employees



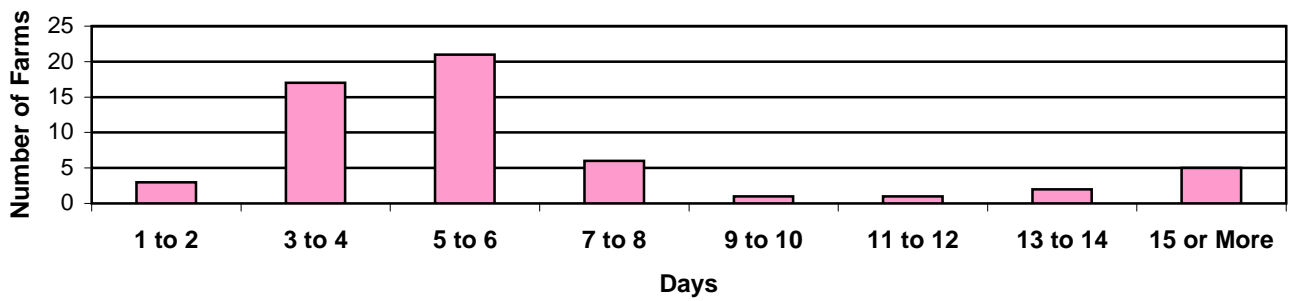
If provided, number of days allowed for vacations



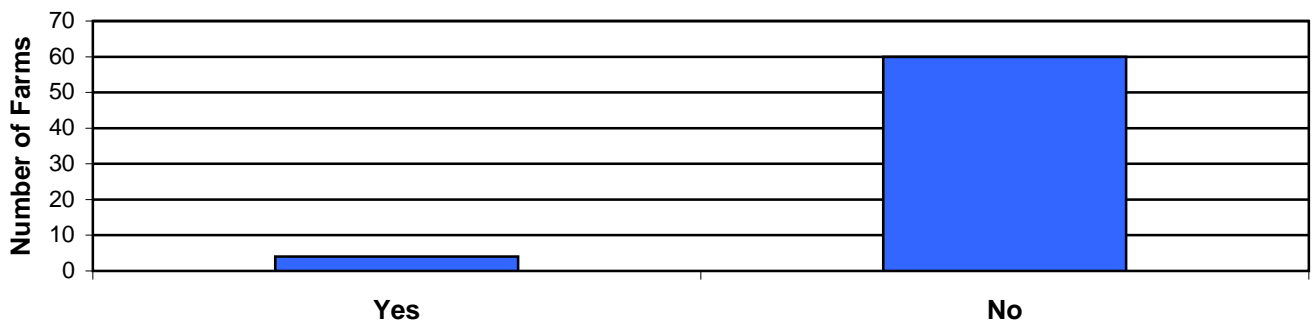
Farms Providing Paid Sick Leave for Full-time Employees



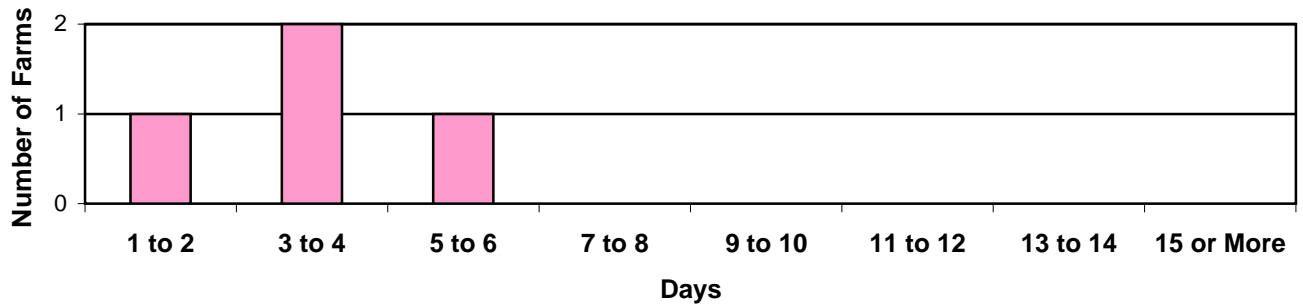
If provided, number of days allowed for sick leave



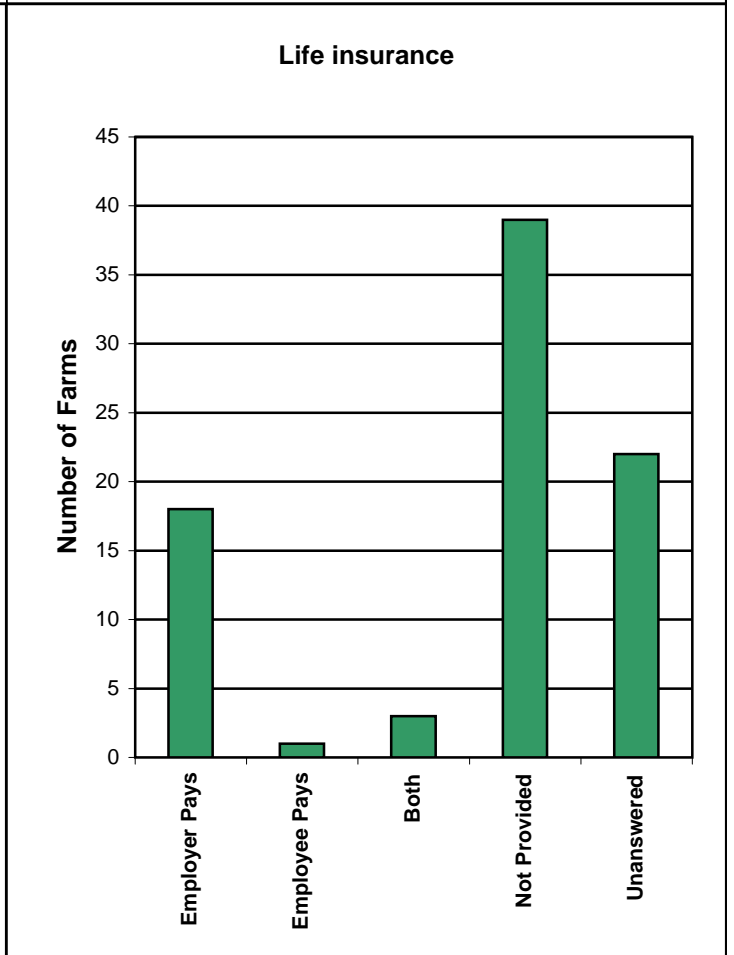
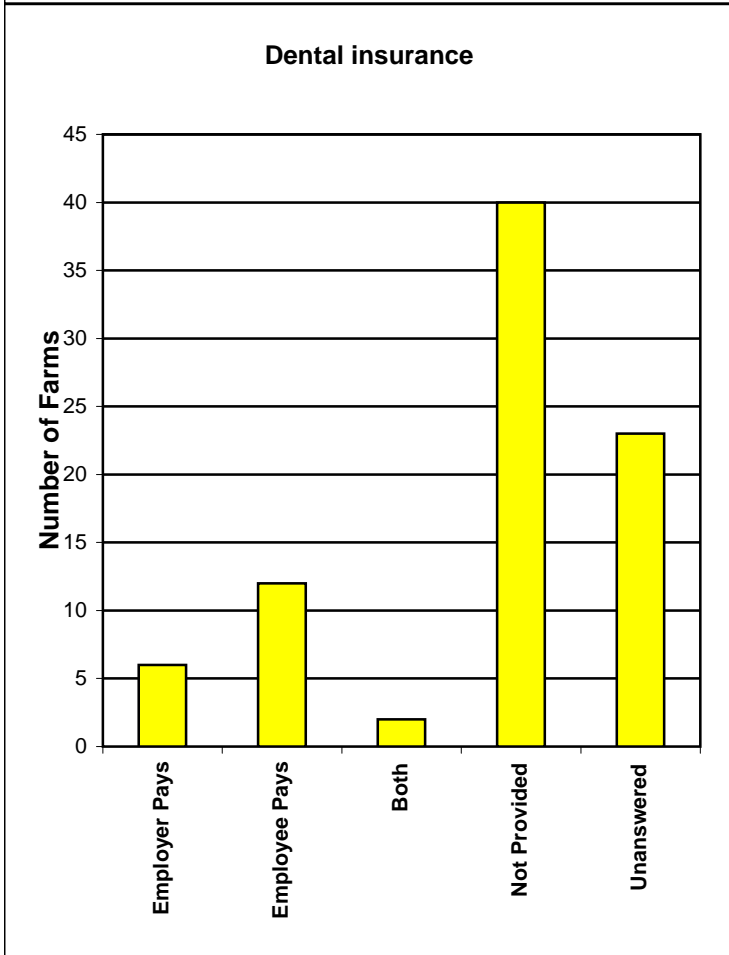
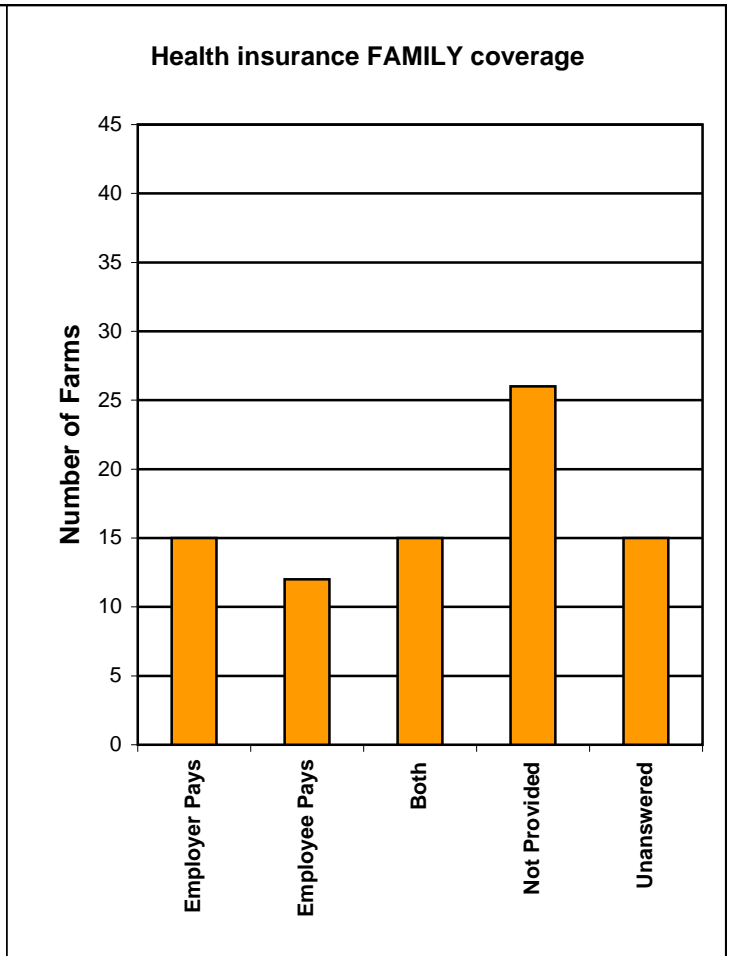
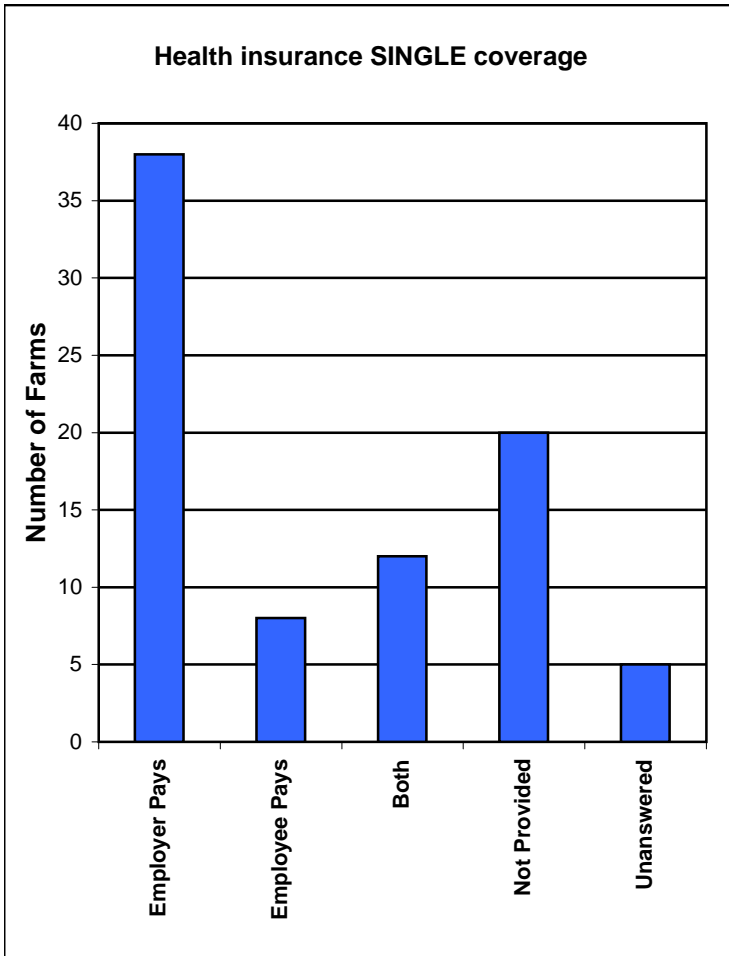
Farms Providing Paid Sick Leave for Part-time Employees



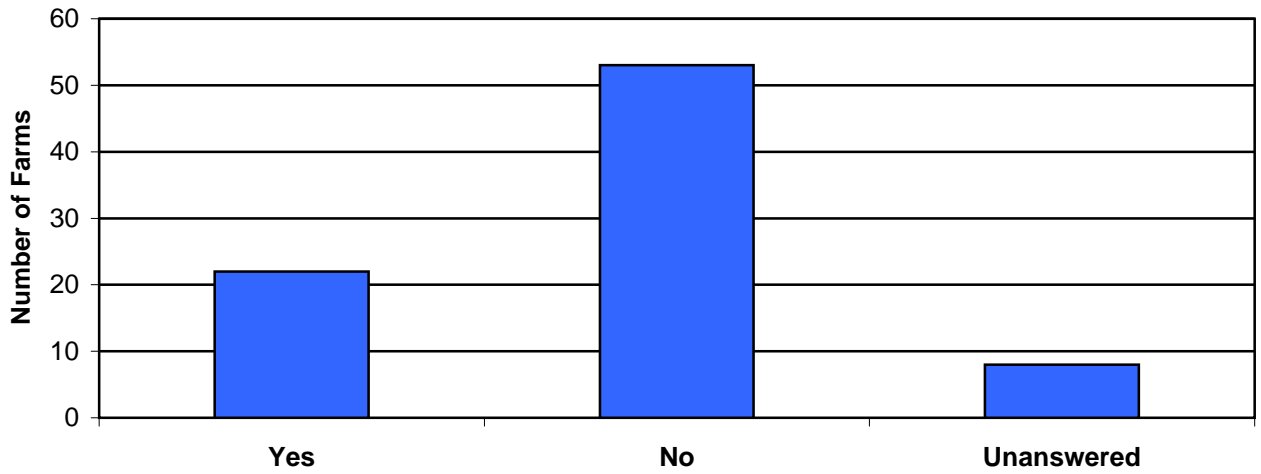
If provided, number number of days allowed for sick leave



Farms Providing Insurance Coverage



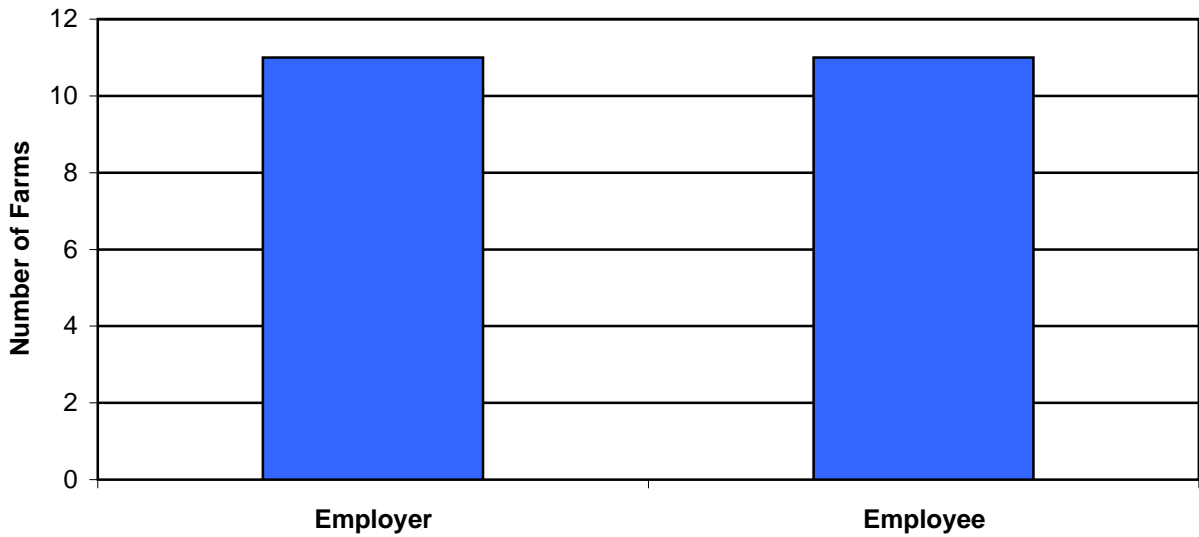
Farms Requiring Uniforms



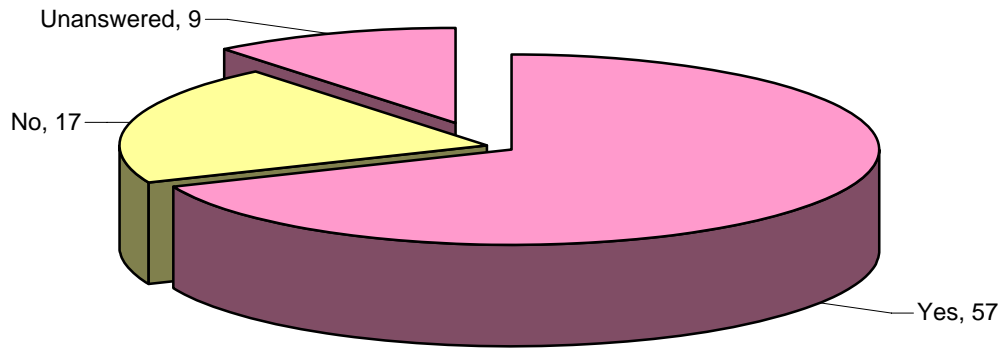
If required, party responsible for purchasing uniforms



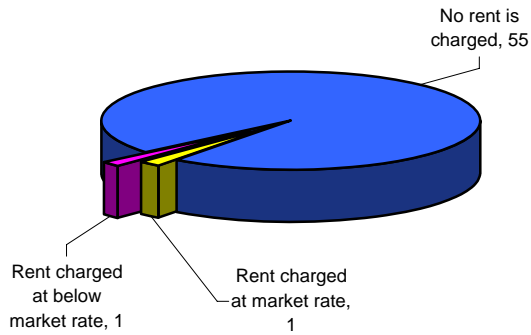
If required, party responsible for maintaining uniforms



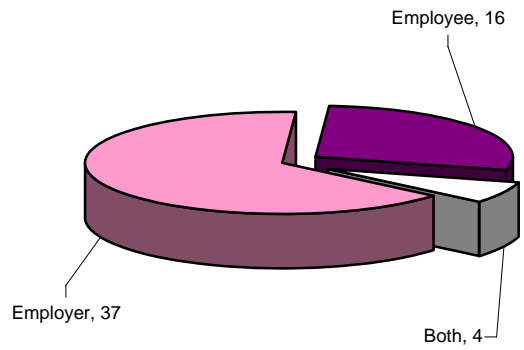
Farms Providing On-farm Housing for Employees



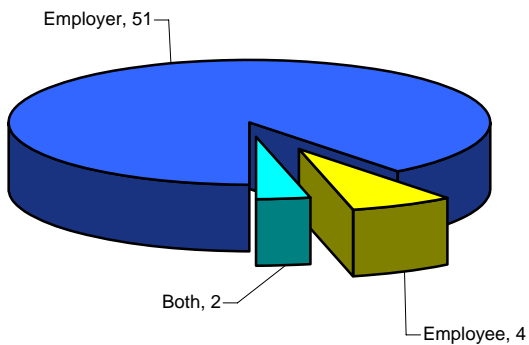
How Rent is Charged



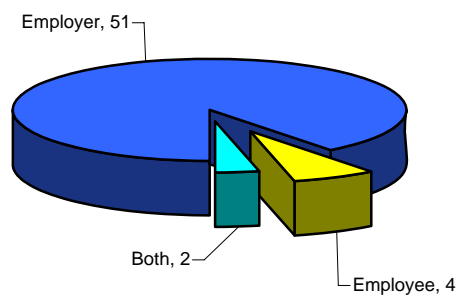
Utilities Paid By



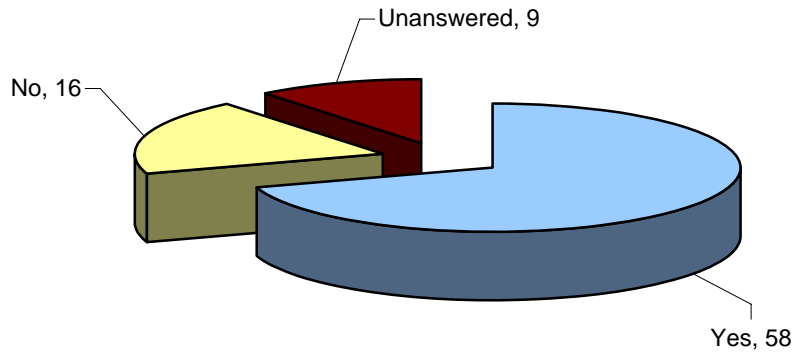
Maintenance Paid By



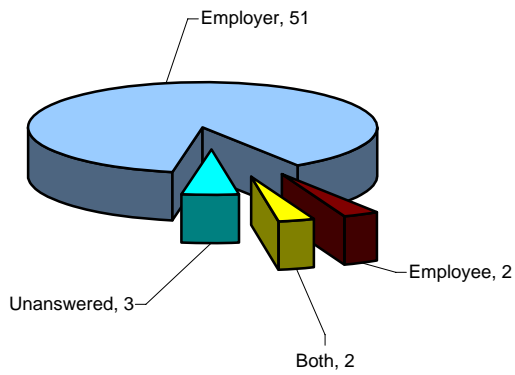
Insurance Paid By



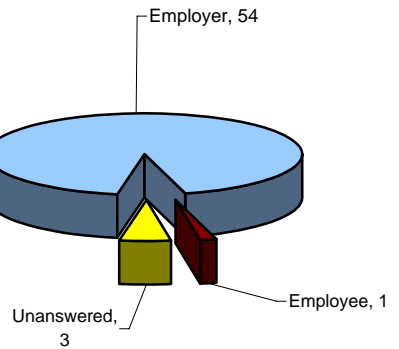
Farms Providing Vehicles for Employees



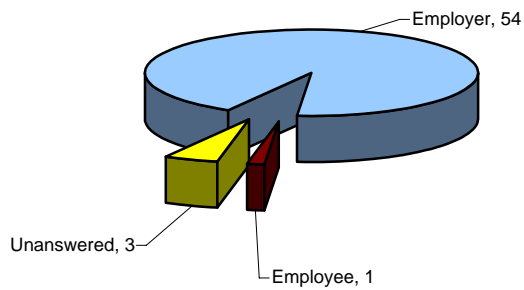
Fuel Paid By



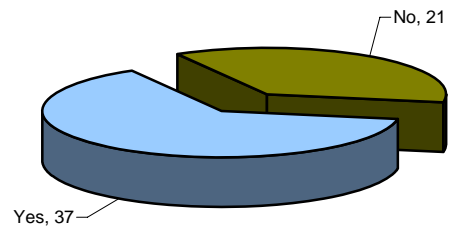
Insurance Paid By



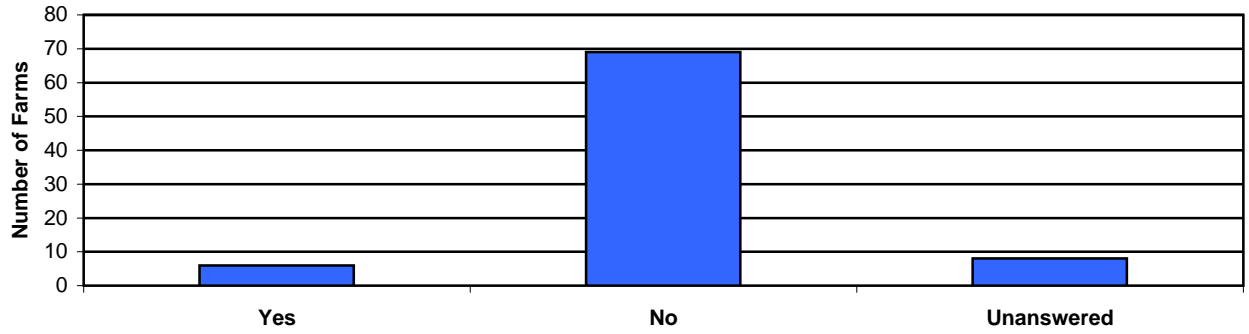
Repairs/Maintenance Paid By



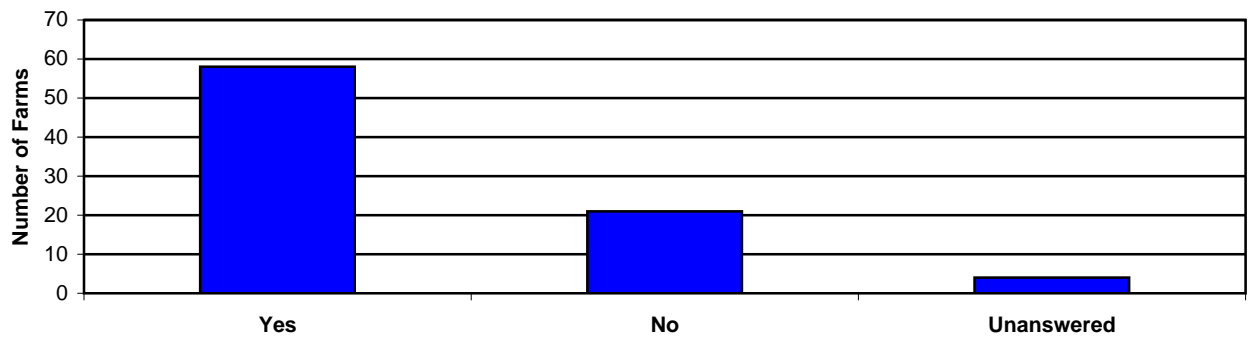
Restricted to Farm Business



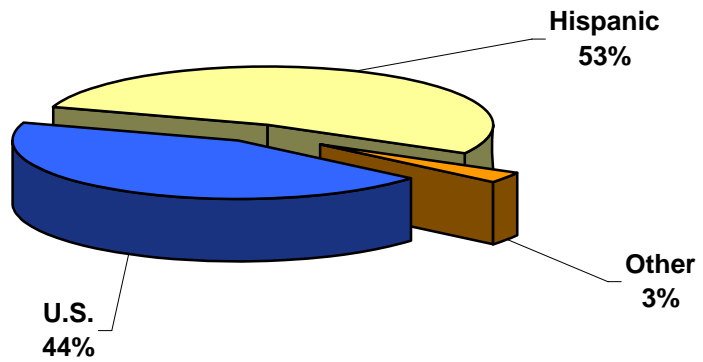
Farms Providing a Cafeteria (Section 125) Plan or a Flexible Spending Account



Farms Employing Foreign Workers



For This Year, The Approximate Average Percentage of Employees By Nationality



Audits in the Last Three Years, by Issue

