

MANATRON INC
Form 11-K
June 15, 2004

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 11-K

**ANNUAL REPORT
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Mark One):

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES
EXCHANGE ACT OF 1934.

For the fiscal year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES
EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission File No. 0-15264

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan.

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive
office: Manatron, Inc., 510 East Milham Road, Portage, Michigan 49002.

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan

Years ended December 31, 2003 and 2002

Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan

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Financial Statements and Supplemental Schedule

Years ended December 31, 2003 and 2002

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Report of Independent Auditors

To the Administrative Committee of the
Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan

We have audited the accompanying statements of net assets available for benefits of the Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan (the Plan) as of December 31, 2003 and 2002, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our

audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2003 and 2002, and the changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2003 is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

 /s/ Ernst & Young, LLP

April 30, 2004

Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan
Statements of Net Assets Available for Benefits

| | December 31 | |
|--|-------------|------|
| | 2003 | 2002 |
| Assets | | |
| Participant-directed investments, at fair value: | | |

| | | |
|---|---------------------|-------------|
| Mutual funds | \$ 8,231,179 | \$5,628,341 |
| Collective fund | 653,109 | 577,571 |
| Securities of employer | 858,653 | 611,104 |
| Participant loans receivable | 74,522 | 78,607 |
| | <hr/> | |
| Total participant-directed investments | 9,817,463 | 6,895,623 |
| Participant-directed contributions receivable: | | |
| Employee contributions receivable | 33,532 | 32,145 |
| Employer match receivable | 4,590 | 4,027 |
| | <hr/> | |
| | 9,855,585 | 6,931,795 |
| Employee stock ownership plan investments, at fair value: | | |
| Shares of Manatron, Inc. common stock allocated to participants | 1,359,109 | 767,253 |
| ESOP contribution receivable | 52,909 | 57,750 |
| | <hr/> | |
| Total employee stock ownership plan assets | 1,412,018 | 825,003 |
| | <hr/> | |
| Net assets available for benefits | \$11,267,603 | \$7,756,798 |
| | <hr/> | |

See accompanying notes to financial statements.

Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan

Statements of Changes in Net Assets Available for Benefits

Year ended December 31, 2003

Year ended December 31, 2002

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| | Participant-Directed | Allocated ESOP Investment | Total | Participant-Directed | Allocated ESOP Investment | Total |
|--|----------------------|---------------------------|---------------------|----------------------|---------------------------|---------------------|
| Additions | | | | | | |
| Net appreciation (depreciation) in fair value of investments | \$1,966,715 | \$ 559,236 | \$ 2,525,951 | \$(1,203,311) | \$194,464 | \$(1,008,847) |
| Interest and dividends | 121,759 | - | 121,759 | 94,063 | - | 94,063 |
| | 2,088,474 | 559,236 | 2,647,710 | (1,109,248) | 194,464 | (914,784) |
| Contributions: | | | | | | |
| Employee | 1,143,965 | - | 1,143,965 | 1,147,938 | - | 1,147,938 |
| Employer | 152,775 | 52,909 | 205,684 | 147,045 | 57,750 | 204,795 |
| | 1,296,740 | 52,909 | 1,349,649 | 1,294,983 | 57,750 | 1,352,733 |
| Total additions | 3,385,214 | 612,145 | 3,997,359 | 185,735 | 252,214 | 437,949 |
| Deductions | | | | | | |
| Benefit payments | 461,424 | 25,130 | 486,554 | 234,879 | 51,207 | 286,086 |
| Net additions (deductions) | 2,923,790 | 587,015 | 3,510,805 | (49,144) | 201,007 | 151,863 |
| Net assets available for benefits at beginning of year | 6,931,795 | 825,003 | 7,756,798 | 6,980,939 | 623,996 | 7,604,935 |
| Net assets available for benefits at end of year | \$9,855,585 | \$1,412,018 | \$11,267,603 | \$ 6,931,795 | \$825,003 | \$ 7,756,798 |

 See accompanying notes to financial statements.

Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan

Notes to Financial Statements

Years ended December 31, 2003 and 2002

1. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting.

Investments

The quoted market price, as reported by Comerica Bank, the Plan's trustee (the Trustee), was used to approximate the fair value for all investments. Net appreciation (depreciation) in fair value of investments included in the statements of changes in net assets available for benefits is comprised of unrealized gains or losses resulting from changes in market prices and realized gains and losses on sales of investments.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term; such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Description of Plan

The following description of the Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan (the Plan) provides only general information. Participants should refer to the Plan agreement, as amended, for a more complete description of the Plan's provisions.

Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan

Notes to Financial Statements (continued)

2. Description of Plan (continued)

General

The Plan was established in 1988 by Manatron, Inc. (the Company or Sponsor) as the Manatron, Inc. Salary Deferral Plan. In 1995, the Company amended the Plan to include a leveraged employee stock ownership plan (ESOP) feature and renamed the Plan the Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan. The Plan is designed to comply with specific sections and regulations of the Internal Revenue Code of 1986 (the Code), as amended, and is therefore subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Overall responsibility for administering the Plan rests with the Plan Administrative Committee, which is appointed by the Board of Directors of the Company. The Trustee is responsible for the management and control of the Plan's participant-directed assets and has discretionary responsibility for the investment and management of such assets. The Plan's Sponsor is responsible for the management and control of the non-participant directed ESOP shares.

Eligibility

The Plan is a defined contribution plan covering substantially all employees of the Company. Generally, an employee may become a participant in the Plan immediately upon completion of one year of eligible service and having attained age 21.

Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan

Notes to Financial Statements (continued)

2. Description of Plan (continued)

Contributions and Vesting

The Plan provides for three different types of contributions:

ESOP Contributions

ESOP contributions are allocated to the Plan's participants based on each participant's compensation for the Plan year in proportion to the total compensation paid to all eligible participants for the Plan year. The Company made discretionary contributions of \$52,909 and \$57,750, which were used to purchase 8,460 and 12,500 shares of Company stock in 2003 and 2002, respectively.

Profit-Sharing Contributions

Each year the Company decides whether to make a profit-sharing contribution to the Plan and the amount to be contributed. Participants must be employed on the last day of the Plan year to be eligible for the Company's contribution. The amount credited to a participant's profit-sharing account will be determined in the same manner as the ESOP contributions. There were no discretionary profit-sharing contributions in 2003 or 2002.

Elective Salary Deferral and Company Matching Contributions

Employees who participate in the Plan can elect to make voluntary pre-tax contributions as a percentage of their annual compensation. Annual participant contributions are limited to the maximum amount permitted by the Code. The Company's matching contribution (currently 25% of participant's contribution up to 1.25% of eligible compensation) is set forth in the Plan document and may be changed by resolution of the Company. The Company's matching contributions during 2003 and 2002 were approximately \$153,000 and \$147,000, respectively.

Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan

Notes to Financial Statements (continued)

2. Description of Plan (continued)

Contributions and Vesting (continued)

Vesting

Participants are 100% vested in rollovers, direct transfers, elective salary deferral contributions, matching contributions and non-elective contribution accounts. Vesting for ESOP and profit-sharing contribution accounts is determined by the years of vesting service. One year of vesting service is 1,000 hours or more of service in the Plan year. Participants become 20% vested after three years of vesting service and continue to vest 20% annually until they are 100% vested.

Participant Loans

Participants of the Plan may borrow from their accounts a minimum of \$1,000, up to a maximum equal to the lesser of \$50,000 or 50% of their account balance. There is a loan administration fee, which is currently paid by the participants. Loan transactions are treated as a transfer to (from) the related investment fund from (to) the participant loan fund. Loan terms of the promissory notes range from one to five years or a reasonable period for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at the bank's prime rate plus 1% determined at the date of issuance. Principal and interest payments will be made ratably through payroll deductions. Currently there are loans outstanding with a total face value of approximately \$75,000.

Net Investment Income (Loss)

Investment income (loss) is allocated to participants based on the ratio of a participant's balance in each investment fund to total participant balances in the corresponding investment fund.

Forfeitures

After an employee terminates employment, any non-vested amounts in the participant's account will be forfeited. Forfeited amounts are allocated to all remaining participants in the same manner as investment income (loss).

Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan

Notes to Financial Statements (continued)

2. Description of Plan (continued)

Distributions to Participants

Distributions to participants generally occur upon a participant's retirement or termination of employment. However, participants may defer distribution of their benefits until reaching age 70 1/2. Vested balances of retired or terminated participants may be distributed in a lump-sum payment, annuity, installments or transfer.

Administrative Expense

The Plan is administered by the Company. Although not obligated to do so, the Company pays administrative expenses and Trustee fees on behalf of the Plan.

Plan Termination

Although it has no current intent to do so, the Company reserves the right to terminate the Plan and trust, or to cease or suspend further contributions, at any time, subject to the Plan's provisions and applicable provisions of ERISA. Upon termination of the Plan, all participants' accounts become fully vested and non-forfeitable.

3. Investments

The fair values of individual investments that represent 5% or more of the Plan's total net assets as of December 31 are as follows:

| | 2003 | 2002 |
|--|--------------------|-------------|
| Fidelity Magellan Fund | \$2,523,186 | \$1,093,388 |
| Fidelity Puritan Fund | 1,343,579 | 1,044,423 |
| ESOP Investment in Manatron Common Stock** | 1,359,109* | 767,253* |
| Oakmark Global Fund | 909,901 | |
| Manatron, Inc. Common Stock Fund** | 858,653 | 611,104 |
| Janus Mercury Investment Fund | 731,512 | 505,743 |
| Janus Growth and Income Fund | 651,852 | 478,554 |
| Comerica Stable Value Fund** | 653,109 | 577,571 |
| Neuberger Berman Genesis Trust Fund | 597,612 | 404,476 |
| Munder Index 500 Fund | | 767,434 |
| Janus Worldwide Investment Fund | | 687,470 |

* Nonparticipant directed.

**Represents party in interest.

4. Net Appreciation (Depreciation) in Fair Value of Investments

The following table summarizes the net appreciation (depreciation) in fair value by investment (including investments purchased and sold, as well as those held during the year) for the years ended December 31:

| | 2003 | 2002 |
|--------------|--------------------|---------------|
| Mutual Funds | \$1,558,906 | \$(1,330,609) |

| | | |
|------------------------|--------------------|---------------|
| Securities of Employer | 967,045 | 321,762 |
| | \$2,525,951 | \$(1,008,847) |

5. Tax Status

The Plan obtained its latest determination letter dated July 26, 2002, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Code. The Plan has been amended since receiving the determination letter. However, the Plan Sponsor and the Plan's legal counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. Therefore, they believe that the Plan is qualified and the related trust is tax-exempt as of the financial statement date.

Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2003

| Identity of Issuer, Borrower, Lessor or Similar Party | Description of Investment | Fair Value |
|--|---------------------------|---------------|
| Participant-Directed Investments | | |
| Securities of Employer: *Manatron, Inc. | Common Stock Fund | \$ 858,653 |

| | | |
|--------------------|-------------------------|-----------|
| Collective Fund: | | |
| *Comerica | Stable Value Fund | 653,109 |
| Mutual Funds: | | |
| Munder | Intermediate Bond Fund | 275,645 |
| Fidelity | Magellan Fund | 2,523,186 |
| | Puritan Fund | 1,343,579 |
| | Mid Cap Fund | 334,900 |
| Janus | Mercury Investment Fund | 731,512 |
| | Growth and Income Fund | 651,852 |
| Dreyfus | Mid Cap Fund | 323,884 |
| AIM | Basic Value Fund | 264,915 |
| | Small Cap Growth Fund | 66,898 |
| Franklin | Mutual Discovery Fund | 103,683 |
| Neuberger Berman | Genesis Trust Fund | 597,612 |
| Oakmark | Global Fund | 909,901 |
| | Equity and Income | 103,612 |
| | | <hr/> |
| Total mutual funds | | 8,231,179 |

EIN #: 38-1983228
Plan #: 002

Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan

Schedule H, Line 4i - Schedule of Assets (Held at End of Year) (continued)

December 31, 2003

| Identity of Issuer, Borrower, Lessor or Similar Party | Description of Investment | Fair Value |
|--|---------------------------|---------------|
|--|---------------------------|---------------|

Participant Loans Receivable

| | | |
|---|--|---------------|
| *Comerica Bank | Interest at rates ranging from 5.0% to 10.50%, maturing at various dates through 2017 | \$ 74,522 |
| | | <hr/> |
| Total participant-directed investments | | 9,817,463 |
| Employee stock ownership plan investments | | |
| *Manatron, Inc. | Common stock (175,369 shares) | 1,359,109 |
| | | <hr/> |
| Total assets held for investment purposes | | \$ 11,176,572 |
| | | <hr/> <hr/> |

**Represents a party-in-interest.*

There were no assets reportable as acquired and disposed of during the year.

There were no reportable transactions under category (i), (ii), (iii) or (iv) during 2003 that are required to be disclosed.

Exhibits:

23 Consent of Ernst & Young LLP dated June 9, 2004.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: June 15, 2004

MANATRON, INC. EMPLOYEE STOCK OWNERSHIP
AND SALARY DEFERRAL PLAN

By:

Paul R. Sylvester
President and Chief Executive Officer
and Member of the Administrative Committee of
the Manatron, Inc. Salary Deferral and Employee
Stock Option Plan

EXHIBIT INDEX

Exhibit

Document

23 Consent of Ernst & Young LLP dated June 9, 2004.

