

MANATRON INC  
Form 10-K  
July 27, 2001

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-K**

**FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO  
SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended April 30, 2001  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-15264

**MANATRON, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Michigan**

(State or Other Jurisdiction of Incorporation or Organization)

**38-1983228**

(I.R.S. Employer Identification No.)

**510 East Milham Road**

**Portage, Michigan**

(Address of Principal Executive Offices)

**49008**

(Zip Code)

Registrant's telephone number, including area code: (616) 567-2900

Securities registered pursuant to Section 12(b) of the Securities Exchange Act: None.

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, No Par Value  
(Title of Class)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the Common Stock held by nonaffiliates of the Registrant based on the last sale price on July 20, 2001, was approximately \$7,182,000.

As of July 20, 2001, 3,790,992 shares of the Registrant's Common Stock, no par value, were outstanding.

### **Documents Incorporated by Reference**

Portions of the definitive proxy statement for the Registrant's annual shareholders' meeting to be held Thursday, October 4, 2001, are incorporated by reference into Part III of this report.

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## **PART I**

### **Item 1. Business.**

#### **General**

Manatron, Inc. ("Manatron" or the "Company") originally was organized in 1969 as a partnership and later was incorporated in Michigan in 1972. Manatron initially provided in-house data processing services for local governmental units located in Michigan. Manatron's business was later extended further to include advanced microcomputer-based "turn-key" data processing systems for governments. These "turn-key" data processing systems used both general purpose computer hardware produced by leading manufacturers and proprietary software developed or purchased by the Company.

In June of 1999, Manatron acquired by merger all of the outstanding stock of ProVal Corporation ("ProVal"), a 26-year old computer software company with headquarters in Springfield, Ohio. At the time of the acquisition, ProVal had installed its PC-based software (primarily computer-assisted mass appraisal "CAMA," trademarked as ProVal®) in approximately 150 jurisdictions in 16 states and three Canadian provinces.

In March of 2000, the U.S. Bankruptcy Court, Northern District of Texas, approved Manatron's bid for selected assets and certain contracts of Dallas-based CPS Systems, Inc. Manatron successfully bid for the Florida, Texas, Colorado, Oklahoma and North Carolina property tax, appraisal and integrated voice response software source code, software support and licensing agreements and other related assets, such as contract deposits and accounts receivable at a public auction conducted by the Bankruptcy Trustee for CPS Systems. At the time of acquisition, these operations had recurring revenues, on an annual basis, of approximately \$2.3 million from approximately 60 customers, the majority of which were in Florida.

The Company's vision is to be the leading provider of software and related products and services that allow government agencies, taxpayers and private industry to efficiently process, manage and archive property information. The Company seeks to delight customers with its products and services, to build a healthy culture for employees, and to maximize shareholders' equity. Currently, the Company serves over 1,500 customers in 31 states and three Canadian provinces with a concentration in the Midwest and Southeast.

For financial reporting purposes the Company has two reportable segments: Information Software, Systems and Services and Property Mass Appraisal Services. For financial information about segments see note 10 to the Consolidated Financial Statements, which is here incorporated by reference.

## Products

The Company designs, develops, markets, and supports a family of Web-based and client/server application software products for county, city, and municipal governments. The products support both back-office processes for government agencies as well as "virtual courthouse" needs and provide World Wide Web access to information for industry professionals and the public. The Company specializes in keeping its application software in compliance with the varying requirements of state statutes. A significant feature of the Company's software is that the applications are tied together, thus eliminating duplication of functions.

The following is a general description of the features and functionality of the Company's major software product groups that it has developed or acquired. The Company anticipates providing additional

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capabilities as the products are enhanced. In connection with these anticipated enhancements, the Company is focused on combining similar products within each group, which originally were developed by the companies that Manatron acquired.

### *Manatron Visual Property (MVP)*

The Company has been re-engineering its entire property suite of applications into "ERP" type products for local government. MVP uses component-based development, object-oriented analysis and design and the unified modeling language (UML) for system documentation. MVP includes Administration, Tax, CAMA, MIRRS, and GIS. It is designed from the ground up to be a totally integrated property management application. Clients can use the entire suite or opt to purchase only specific modules to integrate with their existing systems. The MVP architecture is based on Microsoft's DCOM object standard, and is designed with inherent interoperability with other Microsoft Windows-based applications such as Microsoft Office. MVP Tax was initially deployed in January 2000, is running in several jurisdictions and is being leveraged as a national tax billing and collections system. It includes the base MVP Administration module for managing properties and parties as well as installation parameters specific to the site. An effective-dating strategy removes the critical time-crunch around processing, typically found in most tax billing and collection systems. MVP is designed with database independence and has an n-tier architecture giving it broad scalability options and inherent Internet interoperability.

The Company has received contracts worth a combined \$4.8 million from various Indiana counties and a \$1.8 million contract from Hamilton County, Ohio (Cincinnati) for its new MVP Tax software and related services. Subsequent to April 30, 2001, the Company entered into a \$5.3 million contract for its MVP Tax and PropertyMax software with Ohio's Cuyahoga County, which is the largest county in the state with 1.4 million residents and includes the city of Cleveland.

### *GovernMax Division*

The GovernMax division provides software products and services that facilitate access to public information on the Internet. Professionals and others with Internet access can get access to current, formatted information relevant to their industry. The GovernMax applications are built on top of Microsoft's Internet Information Server for functionality and scalability. The Company has built a proprietary "template" that provides application "scale-out" and rapid application development features to shrink time-to-market for its new products. Current GovernMax products include:

PropertyMax- Provides access to property information

RecordsMax- Provides access to deed and other information that is recorded

CourtMax- Provides access to court docket and calendar information

CollectMax-Allows online payment of real estate taxes and other fees

RevalMax- Allows new appraisal values to be accessed securely for taxpayer review

GovernMax hosts these applications for many of its customers in a highly secure, scalable, web farm with maximum redundancy. The web farm includes audited/monitored Internet security, physical access security, triple redundant power backup and access to the Internet via three different backbone providers for quick uptime and security.

GovernMax distinguishes itself from Internet-only competitors by tying its web-based, Internet products to the "back-office" software applications running in the various jurisdictions, many of which were developed by Manatron. This "end-to-end" solution minimizes errors, results in highly-accurate and up-to-date information via the Internet bringing both the governmental units and the public/commercial

consumer of the information closer together than ever before. This much improved information access for the public/commercial users also frees the governmental units from their traditional roles of routinely helping them gather this information. Instead, elected officials can focus their time and energy on improving the efficiency and effectiveness of services to their constituents.

*Manatron Indexing, Recording, and Retrieval (MIRRS); MVP MIRRS*

MVP MIRRS is a national, highly flexible, extremely powerful application that records information for numerous types of documents including deeds, mortgages, UCC financing statements, liens, vital records and military discharges. It is operational in approximately 60 register of deeds offices in six states and includes advanced features such as workflow automation, imaging and accounts receivable processing. It also includes powerful public inquiry, remote access and faxing modules useful for abstracters and title companies.

*ProVal*

ProVal is a Microsoft Windows-based property appraisal software product. It features a highly productive, integrated sketch package and an extremely accurate ProValuation engine for calculating property values. It is designed to be simple enough for beginners with the advanced features that professionals demand. ProVal is one of the most widely deployed, nationally recognized computer-assisted mass appraisal (CAMA) software products available today. Its underlying C++ architecture and database independence allows ProVal to run efficiently in a variety of configurations.

*Tax Manager*

The CPS acquisition included a UNIX-based, COBOL Tax Manager application for Florida and Oklahoma. This product is a full-featured tax billing and collection application with a rich delinquent property tax feature set. The Company is continuing to enhance this product for its installed base. In addition, development of a Microsoft Windows-based, client/server version of Tax Manager, known as MVP Tax Manager, has been underway and will

start to be deployed next year. This new product will bring forward the functionality of the COBOL Tax Manager product and add to it additional features now available via a graphical user interface and an Oracle relational database.

#### *Visual Voter*

Manatron also offers a windows based voter registration system that runs in a client server environment. Using an industry standard, SQL compatible relational database, visual voter is easy to use and offers a robust set of features. It conforms to all requirements of the national voter registration act as well as state specific requirements. Visual Voters features include, but are not limited to, the following:

- Reports all county election record totals for a specific period
- Checks against felony conviction records
- Interacts with State system for updates, activity, etc.
- Handles all aspects of jury selection, including reporting
- Assigns voters to the proper district, precinct, and polling location

#### *Financial Management*

The Company has developed a comprehensive fund accounting system consisting of subsystems such as general ledger, accounts payable, accounts receivable, cost allocation, receipt processing, purchase order, cash information management, payroll, human resources, inventory control, fixed assets,

equipment and vehicle maintenance, and report writer. The system, which meets established national accounting standards, offers double or single entry and features a flexible user defined account number structure and chart of accounts.

#### *Utility Billing*

The Company has developed utility billing software, which encompasses an integrated system from engineering through meter reading, billing, and accounting. The system accommodates water, sewer, gas, electric, garbage collection, and other related services. Utility billing also allows for an unlimited number of services per customer and can accommodate complicated electric rate tables. This software also supports hand-held reading devices, peak-to-peak billing, budget billing, and demand meters. The system can be used by small rural districts, which tend to bill few services, as well as larger municipal customers that bill many types of services.

#### *Judicial Information*

The Company has developed flexible and user definable judicial information systems which are available for all levels of government and consist of the following modules: (i) Case Management; (ii) Court Accounting; (iii) Prosecution Management; (iv) Probation Tracking; (v) Jury Management; (vi) Child Support; and (vii) Voter Registration, which is described previously. In addition, the Company has added the capability of searching court dates through the Internet. The Case Management module encompasses civil, criminal, traffic fine, and court docket functions. The Court Accounting module tracks all fines, court costs, and bonds in addition to providing necessary

reports to a governmental unit. The Prosecution Tracking module is a management record keeping and financial module for prosecutors in trial courts. The Probation Tracking module is a case tracking, record keeping, and financial system for probation departments. The Jury Management module facilitates the selection of jurors as well as payments to jurors for jury duty. The Child Support module provides for a complete financial accounting of divorce, paternity, and alimony cases, including Title IV-D reporting. The Voter Registration module oversees the legal record keeping requirements, jury selection, and maintenance of an unlimited voting history and can be integrated with imaging, which facilitates the storage of signatures. Each module can be used alone or can be interfaced with the other modules to produce a complete and thorough court management system.

*Land Information; MVP GIS*

The Manatron MVP GIS is an easy to use system that allows users to access the GIS database and obtain information such as, land parcels, roads, subdivisions, parcel boundaries and school districts. Information such as owner name, address, property values, property characteristics, census data, and taxes can all be quickly displayed in conjunction with a map of the selected property. In addition, the system provides access to scanned documents, topographic data, flood data, aerial photography and digital photographs of properties all at the touch of a finger. In addition, the ManaLink module, connects directly to Manatron's databases to display data in an easy to read format. The user can query and analyze data in a matter of minutes, with or without maps. This selected information can be exported to various types of formats or be used with Crystal Reports® to create letters, labels, and user defined reports. Although the Company historically has developed and maintained its own land information system, it is now a reseller of Environmental Systems Research Institute's land information systems known as ArcView and ARC/INFO GIS.

*Legacy Products*

The Company maintains, supports and in some cases continues to market and enhance various "legacy" software applications. These products are mature and full-featured. They include, among others:

- Property appraisal including SMDA 2000
- Property tax billing and collections
- Deed recordings
- Land information systems (mapping)
- Building permits
- Fund-based financials
- Payroll
- Court accounting
- Court case management
- Jury management
- Child support & enforcement
- Voter registration
- Utility billing

These products use a variety of technologies such as COBOL, BASIC, DIBOL, Clipper and FoxPro. They run

on many different hardware and operating system platforms including Microsoft Windows networks, VMS and Unix. The Company's main focus with these legacy products is to keep them in compliance with legislation and to continue to offer additional features as needed by the clients.

## Services

In connection with the installation of its "turn-key" systems, the Company provides ongoing hardware integration and maintenance, software support, training, and other customer services through regional offices described under the caption "Properties" below. The Company has established a regional office in each state where it has a significant nucleus of customers, so it can more efficiently respond to their needs. Each regional office includes customer service personnel who are able to assist with the installation of the Company's "turn-key" systems and provide technical support on site before and after installation. In addition, Company personnel respond on a daily basis to customer telephone inquiries regarding the use of Manatron systems. A number of regional offices also are staffed with employees who are trained to identify and respond to customers' hardware and other technical inquiries.

Many of the software packages described above can be used in conjunction with software enhancement options, such as the use of a laser pen to decipher bar coding for efficient storage and retrieval of information. In addition, laser printing and CD-ROM storage services are provided by the Company and through alliances with other companies. Laser printing and CD-ROM services reduce the amount of paper needed to store documents and, accordingly, save storage space. Laser printing produces copies that look like originals because data is printed electronically from magnetic computer tape onto paper, which results in improved print quality, and offers the option of multiple fonts and graphics. Through the use of laser printing and CD-ROM storage, Manatron's customers are able to keep historical data in a user's department, which permits retrieval and printing, often within seconds of command.

Through its Sabre appraisal division, Manatron provides mass revaluation appraisal services to local governments. The real estate services are a natural product extension for the Company, as many Manatron "turn-key" systems customers also contract periodically for mass appraisal services. Sabre is one of the largest vendors of mass appraisal services in the United States. A typical mass appraisal engagement is performed under a fixed-price contract over an 18 to 24 month time frame. Using the

technology of its appraisal software products, Sabre has developed a flexible methodology for appraisal delivery, which enables Sabre to service jurisdictions of any size and accommodate the specific requirements of an individual client. Through physical inspection, computer analysis, and sound judgment of professional appraisers, Sabre assesses a value to each parcel of property in a jurisdiction. Sabre supports these values on behalf of the jurisdiction through the hearings process and finalizes the tax rolls to enable the jurisdiction to create tax bills.

In April of 1998, the Company received a contract to reappraise every property in Allegheny County (Pittsburgh), Pennsylvania over a two and one half year period. The contract was valued at approximately \$24 million, making it the largest ever for the Company and one of the largest for the assessment services industry. Under the terms of the agreement, the Company's appraisal division (Sabre) originally was contracted to locate and appraise approximately 600,000 parcels of residential, agricultural, commercial, industrial, and exempt properties and install its CAMA system to maintain and access the information. The Company also assisted in supporting the new appraised values to the public through a hearing process. As of April 30, 2001, the Company has substantially completed this project.

The Company's Sabre appraisal division has been awarded service contracts totaling \$7 million from Ohio's Franklin and Montgomery Counties. Under the Franklin County contracts, which are worth \$3.3 million, Sabre will be responsible for new construction appraisals in Franklin County from 2001 to 2003 as well as a countywide value update of all real estate parcels, which is scheduled for completion in 2002. Located in central Ohio, Franklin County comprises greater Columbus, with a population of one million and 370,000 parcels of property. Sabre's contract with Montgomery County, which is worth \$3.7 million, includes new construction appraisal maintenance for 2001 and 2002 and the revaluation of all 260,000 county properties, which is conducted by the county every six years and scheduled for completion in 2002. Montgomery County is Ohio's fourth largest county and includes the city of Dayton.

## **Marketing and Sales**

The Company primarily markets its products through its regional offices in Florida, Illinois, Indiana, Michigan, Missouri, North Carolina, Ohio, Pennsylvania, and Rhode Island. Manatron plans the opening of each new office based on a review of marketing opportunities and financial analysis within a particular region. In addition, the Company has a number of salespeople who promote and market its products and services on a national basis.

The Company's sales and marketing personnel approach various governments with Manatron-specific solutions to their data processing and property valuation needs and also respond to governments' proposal requests. The Company's customer service personnel also assist with product demonstrations in connection with these sales efforts.

Manatron's marketing efforts involve, among other things, internal and external communications, developing and distributing product brochures and newsletters, direct mailings, customer satisfaction surveys, telemarketing, attending conventions and conferences, forming user groups for the purpose of determining customer needs and expectations, conducting seminars for the purpose of demonstrating products and services, and advertising in trade journals.

The Company is also a value-added reseller for a number of leading hardware manufacturers such as DEC, IBM, and Unisys. In turn, the sales forces of these manufacturers often work closely with the Company's sales and marketing personnel in an effort to promote sales of the Company's services and products in conjunction with sales of the hardware.

## **Customer Base**

The Company's customers are primarily city, township, and county governments in the United States. Revenue derived from Canada is less than 1% of the Company's total revenues. The Company's sales are highly dependent on city, township, and county governments' demand for its products and services. The Company does not believe that the loss of any single customer would have a materially adverse effect on the Company, however a material decline in the Company's sales to various governments could have such an effect. One customer accounted for approximately 11%, 19%, and 26% of total revenues in fiscal 2001, 2000, and 1999, respectively.

## **Competition**

Competition for the Company's data processing systems, related services, and mass appraisal services is intense.

The Company competes primarily on the basis of name recognition, financial stability, range of products, and reputation for providing good customer service.

The Company's major competitors for client-server and Inter/Intranet related systems and services are generally small local software and service firms, which often are able to offer less expensive solutions or have developed long-term relationships with key governmental officials. Generally, these smaller firms can sell hardware and services at reduced amounts because of their small amount of overhead. The Company also competes with a number of larger national public companies such as Tyler Technologies, Inc., Associated Computer Systems, HTE, SCT Corporation, and ESRI. The Company could be adversely affected if a large computer manufacturer, technology or professional service firm such as IBM, EDS, Peoplesoft, etc. target the local government market, or if any large property services or database company acquires, merges, or associates itself with a competing firm. Furthermore, applications software also is developed periodically by or for public agencies for use by governments. If the funding and distribution of governmentally developed or funded software becomes more widespread, such products could compete with the Company's products.

Competition in mass appraisal services comes from a number of small local firms and only one other national firm, Cole Layer and Trumble of Dayton, Ohio, a division of Tyler Technologies, Inc. Small local firms often can offer less expensive mass appraisal services and products than the Company or can develop long-term relationships with key governmental officials.

Although state and local governments traditionally have lagged behind both the federal government and the private sector in computer automation, the application of microcomputer and personal computer technology to local governmental units recently has been subject to rapid development and change. The ability of the Company to develop new applications software programs utilizing modern technology is critical to its ability to compete successfully. Manatron reviews and updates its software programs to meet the needs of its customers and to ensure that the programs can be utilized on newer models of personal computers, minicomputers, and UNIX computers.

The most significant barriers to entry into the Company's market are time, expense, expertise, and personnel needed to develop software. As software development and the sale of mass appraisal services are not highly capital intensive, barriers to entry into these industries are comparatively low. In addition, since software products have a relatively low manufacturing cost, increased price competition may be expected in the future.

## **Research and Development**

Manatron's success depends on its ability to respond quickly to changing technology, market demands, and the needs of its customers. Manatron emphasizes research and development and commits significant resources to support and further its role as a leader in the markets it serves. The Company's research and development expenditures relate primarily to computer software development costs. Systems programming and support expenses were approximately \$4.9 million, \$4.1 million, and \$3.7 million for the fiscal years ended April 30, 2001, 2000, and 1999, respectively. Certain software development costs are capitalized in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed" as described in the Notes to Consolidated Financial Statements contained in this Form 10-K. The amount of software capitalized declined by 54% from approximately \$870,000 to \$397,000 for the years ended April 30, 2000 and 2001, respectively due to a decreasing trend in capitalized software development costs.

In fiscal 2001, the Company continued to invest heavily in its new, MVP product architecture. The Company's product development methodology, a component-based architecture based upon industry standards such as Microsoft Component Object Model (COM, COM+, .NET), is expected to reduce software development costs and support costs while resulting in "best-in-class" products. The Company's new product designs are fully documented in the Unified Modeling Language in order to record and retain the intellectual property contained in the software. The component-based architecture will allow the Company's customers to integrate its products with other tools such as word processors, spreadsheets, and GIS (mapping) applications specifically due to the Company's adherence to industry standards.

Manatron continued to invest in its Internet division GovernMax.com during fiscal 2001. As a result, the division was able to roll out new products for the Recorder's office (RecordMax), the Tax Collector's office (CollectMax), and the Property Appraiser's office (RevalMax). All applications are fully e-commerce enabled. In October of 2000, GovernMax.com began collecting real estate taxes over the Internet through its CollectMax product, in Okaloosa County Florida. The Company now has Tax Collectors from eleven Florida counties using the CollectMax product to do Internet based collections and provide the information to the public. The GovernMax.com customer base has almost doubled over the course of the past year. The division currently has 70 clients in 9 states, of which they host data for 46 of these clients, accounting for over 4.8 million parcels, 1.4 million legal cases, and 2 million recordings.

Also of major focus during the past fiscal year is continued development and deployment of MVP Tax. The Company made significant investments in the product, processes and staffing in order to better meet the growing demand for the product. Substantial new features were added to the product including numerous features needed nationally.

Through the conjunction of effort between ProVal and SMDA 2000 development teams, the Company has continued the development of a new component-based CAMA product. These efforts will result in a completely new, state-of-the-art CAMA product with a highly flexible/configurable Administration module and 100%, metadata-driven characteristics design. Included in the product will be the robust valuation capabilities found in ProVal and advanced usability/mass-appraisal capabilities found in SMDA 2000. It will, of course, share the MVP Architecture - including the Administration module. This product's initial release is slated for fiscal 2002.

The result of this research and development will be a robust, highly-scalable, feature-rich suite of products built on a common, reliable, scalable architecture centered around Microsoft's .NET platform. This will allow the Company to provide an outstanding product that it can deploy across its entire client-base. The Company remains committed to this ambitious and rewarding goal.

## **Suppliers**

The Company generally maintains a minimum of three alternate suppliers. All computers, peripherals, disks, printers, plotters, digitizers, operating system software, office automation software, and other equipment required by the Company presently are available from at least three sources. Hardware is purchased on original equipment manufacturer or distributor terms at discounts from retail. The Company has not experienced any significant supply problems.

## Backlog

At April 30, 2001, the Company's backlog of orders for hardware, software, and services (including mass real estate appraisal) was approximately \$20.7 million, compared with approximately \$26.1 million at April 30, 2000. In May 2001, the Company was awarded a \$5.3 million contract with Cuyahoga County (Cleveland), Ohio, which is excluded from the backlog reported above. Backlog for the Company's software and services business can fluctuate significantly from quarter to quarter primarily because of the seasonality of government ordering patterns. Accordingly, a comparison of backlog from quarter to quarter is not necessarily instructive and may not be indicative of eventual actual shipments. See Management's Discussion and Analysis of Financial Condition and Results of Operations for further information concerning the Company's backlog of orders.

## Patents and Trademarks

The Company currently does not have patent protection for its products or services. While Manatron in the future may apply for a patent or patents to protect its rights to certain software and related products, no assurance can be given that such patents would be granted. The Company treats certain proprietary materials as trade secrets and employs and will continue to employ procedures, techniques, and contractual arrangements to help protect such confidential matters.

Management may seek to obtain copyright registration of its software programs. However, these copyrights, if applied for and granted, would provide only limited practical protection against duplication of the media embodying the programs and related user manuals. The Company has registered certain of its trade names, and may apply for registration of additional trade names and trademarks at appropriate times in the future. No assurance can be given that the applications for such registration will be granted.

The Company incorporates programming on software disks to make unauthorized duplication of the software more difficult.

## Environmental

Compliance with federal, state, and local environmental laws and regulations governing discharges into the environment is not expected to have a material effect upon the capital expenditures, earnings, or competitive position of the Company.

## Employees

As of June 22, 2001, the Company had 406 full-time employees, 65 duration employees, 27 temporary employees, and 8 part-time employees. For assistance on specific mass appraisal projects, the Company hires duration and temporary employees, whose employment generally lasts for the duration of a project. Duration and temporary employees generally do not receive the same benefits as regular full-time employees.

An approximate breakdown of the Company's employees is as follows:

Executive	4%
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Administrative	7%
Development	15%
Sales and Marketing	4%
Service and Support	23%
Appraisal	47%
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Total	100%
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**Item 2. Properties.**

The principal executive and administration offices are located in a building owned by Manatron in Portage, Michigan, which consists of approximately 25,000 square feet. The Company's Information Software, Systems and Services division rents office and/or warehouse space in Florida, Illinois, Indiana, Michigan, Missouri, North Carolina, Ohio, and Pennsylvania. The Company's Property Mass Appraisal Services division rents office space in Ohio, New York, Pennsylvania, and Rhode Island. Rental payments for the Company's leased office and warehouse space for the fiscal year ended April 30, 2001, totaled approximately \$972,000.

Management considers all of its offices to be well maintained, in good operating condition, and suitable and adequate for their intended purposes.

**Item 3. Legal Proceedings.**

The Company is not a party to any material pending legal proceedings other than routine litigation incidental to its business. In the opinion of management, the outcome of any litigation currently pending will not materially affect the Company's financial condition or results of operations.

**Item 4. Submission of Matters to a Vote of Security Holders.**

No matter was submitted during the fourth quarter of the fiscal year covered by this Annual Report to a vote of security holders, through the solicitation of proxies or otherwise.

**Supplemental Item. Executive Officers of the Registrant.**

Executive officers of the Company are elected by the Board of Directors at its organizational meeting following the annual meeting of shareholders and serve until their successors are elected and qualified.

The following information includes the names and ages of the executive officers of the Company who are not directors as of the date of this Annual Report on Form 10-K, the officers' present position with the Company, and the business experience of the officers during the past five years.

*J. Wayne Moore* (age 60) joined the Company in 1999 when the Company acquired ProVal Corporation. Mr. Moore was President of ProVal Corporation before its acquisition and was the chief architect and designer of the trademarked ProVal® software system. Mr. Moore has 28 years experience developing and marketing computer assisted mass appraisal systems. Mr. Moore is currently the Company's appraisal software product line Vice President and is responsible for such things as developing, marketing and maintaining the current ProVal product as well as overseeing the development and roll out of the new CAMA products.

*Daniel P. Muthard* (age 52) joined the Company in 1994 when the Company acquired Sabre. Mr. Muthard was Vice President of the Company's appraisal operations until June of 1998, at which time he was named President of the Appraisal Division. Mr. Muthard is responsible for all aspects of the Sabre appraisal division.

*Early L. Stephens* (age 38) joined the Company in 1986 and worked as a programmer/analyst. From 1988 until June 1996, Mr. Stephens was Project Manager-Management Information Systems at Western Michigan University and was responsible for the implementation of client server applications in LAN environments. In June 1996, Mr. Stephens returned to the Company and was named Chief Technology Officer and is responsible for software product development, establishment of technology standards for the Company's products and services, and development of strategic plans.

*Robert D. Fry* (age 46) joined the Company in 1996 as the Manager of Ohio Real Estate. Mr. Fry served in that position until 1997 when he was promoted to Vice President of the Ohio Region. In May of 2000, Mr. Fry was named Managing Director of GovernMax.com, the Company's internet products and services division and is primarily responsible for overseeing the development, sales, marketing, and support of the Company's internet products and services.

*James W. Flake* (age 41) joined the Company in 1994 when the Company acquired Sabre. Mr. Flake served as an appraisal project manager for the Indiana Region until 1995 when he was promoted to the Indiana Regional Vice President position. In July of 2000, he was named Executive Vice President of Regional Operations and is now primarily responsible for the overall coordination and management of sales through the Company's regional offices.

*Mary Gephart* (age 42) joined the Company in 1994 as the Manager of Human Resources. Ms. Gephart served in that position until 1998 when she was promoted to Director of Human Resources. In July of 2000, Ms. Gephart was named Vice President of Human Resources and is primarily responsible for directing and coordinating human resources activities, such as employment, compensation, employee relations, benefits, training, and employee services.

**PART II****Item 5. Market for Registrant's Common Equity and Related Shareholder Matters.**

Manatron's Common Stock is traded over-the-counter and is regularly quoted on The Nasdaq SmallCap Market under the symbol "MANA."

The following table shows the range of high and low bid information reported by The Nasdaq SmallCap Market for the years ended April 30, 2001 and 2000:

<u>Quarter</u>	<u>2001</u>		<u>2000</u>	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
May - July	\$ 5.63	\$ 9.19	\$ 5.25	\$ 8.06
August - October	4.13	6.50	4.88	7.19
November - January	2.56	5.16	3.00	10.37
February - April	2.75	5.13	7.00	16.18

These over-the-counter market quotations reflect inter-dealer prices, without retail markup, markdown or commissions, and may not necessarily represent actual transactions.

The Company historically has not paid cash dividends. The Company has, however, paid 5% stock dividends in 1992, 1993, and 1994. The Company currently does not anticipate paying cash or stock dividends on its Common Stock in the foreseeable future, but instead intends to retain earnings, if any, for the operation and expansion of the Company's business.

As of July 20, 2001, the Company's Common Stock was held by approximately 1,500 shareholders, 263 of which were record holders.

**Item 6. Selected Financial Data.**

The following table sets forth selected financial data of the Company for the periods indicated and has been derived from and should be read in connection with the Company's Consolidated Financial Statements, the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Form 10-K. The annual income statement and balance sheet data set forth below for the years 1997 through 2001 have been derived from the Consolidated Financial Statements of the Company.

Five-Year Operating and Financial Summary  
Years Ended April 30,

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Operating Results					
Net revenues	\$41,126,586	\$43,645,377	\$37,549,264	\$24,791,881	\$22,016,988
Gross profit	13,477,302	14,586,455	13,005,142	9,473,074	8,636,635

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Income (loss) from operations	(860,947)	2,079,630	1,251,840	402,840	(160,000)
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Other income (expense), net	(253,683)	264,215	52,730	(89,069)	(246,659)
Net income (loss)	(940,630)	1,603,845	1,304,570	313,771	(406,659)
Basic earnings (loss) per share	(.27)	.49	.45	.11	(.14)
Diluted earnings (loss) per share	(.27)	.45	.41	.11	(.14)
At Year-end:					
Cash and equivalents	700,840	608,062	6,511,266	1,613,669	457,691
Total assets	25,851,143	26,724,725	23,228,429	15,863,076	14,854,268
Long-term debt	0	0	50,000	125,000	1,110,000
Book value per share	2.95	3.26	2.28	1.80	1.68

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following section provides a narrative discussion about Manatron's financial condition and results of operations. The comments that follow should be read in conjunction with the Company's Consolidated Financial Statements and related notes thereto appearing elsewhere in this Annual Report on Form 10-K.

**Results of Operations: Fiscal Year 2001 Compared to Fiscal Year 2000**

Net revenues of \$11,412,226 for the three months ended April 30, 2001, increased 5.2% over the net revenues of \$10,848,579 that were reported for the fourth quarter in the prior fiscal year. Net revenues of \$41,126,586 for the twelve months ended April 30, 2001, were 5.8% lower than the \$43,645,377 of net revenues that were reported for the twelve months ended April 30, 2000. These amounts include revenues from computer hardware and software shipments, sales of computer forms and supplies, and various related services such as mass real estate appraisal, software support, training, hardware maintenance, and forms processing and printing.

Excluding the Allegheny County retention revenue discussed below, appraisal service revenues have decreased by approximately 32% and 26% for the three and twelve months ended April 30, 2001, in comparison to the three and twelve months ended April 30, 2000. These decreases are primarily attributed to the cyclical nature of the appraisal services market and the wind down of the Allegheny County, Pennsylvania project, which was substantially completed as of April 30, 2001. The Allegheny project accounted for 11% of the Company's net revenues for the year ended April 30, 2001 in comparison to 19% for the year ended April 30, 2000. In addition, the Company has a few jobs on the East Coast that are currently behind schedule and therefore the revenues have been lower than initially anticipated. The Company's backlog for appraisal services at April 30, 2001, decreased by approximately \$3.5 million to \$11.4 million compared to approximately \$14.9 million at April 30, 2000. The Company has been actively pursuing new appraisal business to replenish the backlog.

As noted in the prior year, the Company had reserved 100% of retainage revenue related to the Allegheny County appraisal project and 15% of the retainage revenue on all other appraisal service

projects due to the high degree of judgment involved in estimating the percentage of completion on these projects and the uncertainty regarding their ultimate collection. During the three and twelve months ended April 30, 2001, the company collected and recognized approximately \$925,000 and \$1,850,000, respectively, of retention revenue on the Allegheny County project. As of April 30, 2001 and 2000, the total reserve against retainage revenue remaining under all appraisal service projects (including Allegheny County) was \$868,636 and \$1,992,093, respectively. As of April 30, 2001 and 2000, the total reserve against retainage revenue remaining under the Allegheny County project was \$260,000 and \$1,854,394, respectively.

Software division revenues increased by approximately 19% for the three months ended April 30, 2001 versus the prior year quarter; however, they were flat for the year ended April 30, 2001 in comparison with the prior year. The growth in the fourth quarter can be attributed to the execution of various MVP Tax contracts in Indiana. Revenues associated with hardware and software sales have declined in aggregate over the prior year due to a significant reduction in new sales due to the fact that 2000 was an election year for many of our customers. In addition, many local government officials scaled back their systems spending following all of the Year 2000 upgrades that took place in the prior year. Growth in recurring software support, primarily attributable to the CPS acquisition, has allowed the Company's revenues to remain comparable overall with prior year revenue levels.

Cost of revenues of \$7,291,356 for the three months ended April 30, 2001 increased 2.8% compared to \$7,093,056 for the three months ended April 30, 2000. Annual cost of revenues decreased by 4.9% from \$29,058,922 in the prior fiscal year to \$27,649,284 for the year ended April 30, 2001. These changes are primarily due to the movement in net revenues noted above. Margins between years are comparable at 33%. However, when you exclude the \$925,000 of retention revenue recognized during the three months ended April 30, 2001, and \$1,850,000 of retention revenue recognized during the year ended April 30, 2001, gross margin has declined by approximately 4% to approximately 30% for both the three and twelve months ended April 30, 2001. This decrease is primarily related to the fixed nature of labor costs, which do not fluctuate immediately with declined revenue levels.

Selling, general, and administrative expenses have increased by approximately 11.8% to \$3,736,722 for the three months ended April 30, 2001 compared to \$3,342,500 for the three months ended April 30, 2000. Selling, general, and administrative expenses have increased 14.6% from \$12,506,825 for the twelve months ended April 30, 2000 to \$14,338,249 for the twelve months ended April 30, 2001. These increases are due to a full year of goodwill

amortization and overhead costs associated with the CPS Systems acquisition, significant investments in research and development, a decreasing trend in capitalized software development costs and increased sales and marketing activities. Also, Manatron experienced higher personnel-related costs in the fourth quarter because of a number of new hires to handle the additional software business and higher-than-usual expenses in workers' compensation and health insurance, which Manatron partially self-funds. The amount of software capitalized declined by 54% from approximately \$870,000 to \$397,000 for the years ended April 30, 2000 and 2001, respectively. Finally, deferred compensation expense has also increased from approximately \$324,000 to \$394,000 for the twelve months ended April 30, 2001, as a result of restricted stock grants in the current year, including those associated with the Manatron, Inc. Executive Stock Plan of 2000, which was approved at the 2000 Annual Shareholders' meeting.

As a result of the factors noted above, the Company reported slightly lower operating income of \$384,148 for the three months ended April 30, 2001, versus operating income of \$413,023 for the three months ended April 30, 2000. For the year ended April 30, 2001 a net operating loss of \$860,947 was reported versus operating income of \$2,079,630 for the prior year.

Interest expense has increased from \$41,712 for the year ended April 30, 2000 to \$331,844 for the year ended April 30, 2001 due to the use of cash and debt required to fund operations in fiscal 2001, the acquisitions of CPS Systems, Inc. and ProVal Corporation, and the purchase of a new corporate office building in fiscal 2000.

The Company's provision for federal income taxes generally fluctuates with the level of pretax income. In addition, the effective tax rate generally is impacted because of non-deductible goodwill amortization related to the Company's acquisitions. However, in fiscal 2001, the Company has recorded a credit for federal taxes of \$174,000 due to the net loss position for the year.

As a result of the factors noted above, the Company reported a 87.7% decrease in its net income to \$39,863 or \$.01 per diluted share for the three months ended April 30, 2001, versus income of \$322,800 or \$.09 per diluted share for the comparable period in the prior fiscal year. In addition, the Company reported a net loss of \$940,630 or \$.27 per diluted share for the year ended April 30, 2001, versus income of \$1,603,845 or \$.45 per diluted share for the year ended April 30, 2000.

### **Results of Operations: Fiscal Year 2000 Compared to Fiscal Year 1999**

Net revenues of \$10,848,579 for the three months ended April 30, 2000 were comparable to the \$10,890,655 of net revenues that were reported for the fourth quarter in fiscal 1999. Annual net revenues of \$43,645,377 for fiscal 2000 were 16% higher than the \$37,549,264 of net revenues that were reported for fiscal 1999. The components of revenues were essentially the same as previously noted for fiscal 2001.

In general, the net revenue increase for fiscal 2000 was primarily due to the execution of major appraisal service contracts, increased software and service sales as a result of Year 2000 compliance work and sales of new software products including ProVal, MVP Tax, MVP MIRRS, and GovernMax. Specifically, appraisal service revenues increased by 11% over fiscal 1999 primarily because of revaluation contracts with Allegheny County (Pittsburgh), Pennsylvania, Dauphin County (Harrisburg), Pennsylvania, and Hamilton County (Cincinnati), Ohio. These contracts, which totaled approximately \$33.5 million had a major impact on the financial results for fiscal 2000 as more work was executed on them during fiscal 2000 than fiscal 1999. As of April 30, 2000, approximately \$26.7 million had

been recognized as revenue on these projects. As of April 30, 2000 the Company's backlog for appraisal services was approximately \$14.9 million compared to \$23.2 million at April 30, 1999.

As noted previously, the Company had reserved 100% of retainage revenue related to the Allegheny County appraisal project and 15% of the retainage revenue on all other appraisal service projects due to the high degree of judgment involved in estimating the percentage of completion on these projects and the uncertainty regarding their ultimate collection. The Company expected to maintain a 100% reserve against the retainage revenue on the Allegheny County project until such time as the uncertainty surrounding the realizability of the retainage revenue was resolved. At April 30, 2000 and 1999, the total reserve against retainage revenue under all appraisal service project (including Allegheny County) was \$1,992,093 and \$933,000, respectively. At April 30, 2000 and 1999, the total reserve against retainage revenue under the Allegheny County project was \$1,854,394 and \$765,767, respectively.

Software division revenues for fiscal 2000 increased by 20% over the prior year primarily because of additional upgrades by existing and new customers in the Midwest. This increase in revenue was due to Year 2000 product upgrades, additional revenue contributed by ProVal, which was acquired at the end of May in 1999, and the introduction of new software to the Company's customer base.

Specifically, the Company had begun to recognize revenues on its \$2.8 million contract that was signed in October of 1998 with Lake County, Indiana for the Company's new MVP-Tax product.

Cost of revenues for the three months ended April 30, 2000 decreased 2% to \$7,093,056 compared to \$7,233,964 for the fourth quarter in fiscal 1999. Annual cost of revenues increased by 18% from \$24,544,122 in fiscal 1999 to \$29,058,922 for the year ended April 30, 2000. These increases were primarily due to the improvement in net revenues noted above. Fiscal 1999 gross margins were approximately 34% for the fourth quarter and 35% for the year while fiscal 2000 margins were 35% and 33%, respectively. These margin fluctuations were due to changes in the mix of revenues as margins on hardware, third party software, and services typically are lower than the margins on licenses of Company software and appraisal services. Certain expenses were reclassified as operating expenses for the third quarter of fiscal 2000 to conform with all other periods presented in fiscal 2000 and 1999.

Selling, general, and administrative expenses increased by 4% to \$3,342,500 for the three months ended April 30, 2000 compared to \$3,202,386 for the fourth quarter in fiscal 1999. Annual selling, general, and administrative expenses increased 6% from \$11,753,302 in fiscal 1999 to \$12,506,825 in fiscal 2000. These increases were primarily due to annual salary adjustments, additional software development, rollout of the Company's new software products, year 2000 compliance work and increased corporate marketing efforts.

As a result of the factors noted above, the Company reported operating income of \$413,023 for the three months ended and \$2,079,630 for the year ended April 30, 2000. This reflected significant improvement over the fiscal 1999 fourth quarter operating income of \$413,023 and \$1,251,840 for the year ended April 30, 1999.

Interest expense decreased from \$50,199 in fiscal 1999 to \$41,712 in fiscal 2000 because of reduced debt levels.

As noted previously, the Company's provision for federal income taxes generally fluctuates with the level of pretax income. In addition, the effective tax rate generally is impacted because of non-deductible goodwill amortization related to the Company's acquisitions of ProVal, CPS, ATEK and SDS. The Company had recorded a

provision for federal taxes for the year ended April 30, 2000 of \$740,000. This included an offset for the remaining utilization of a \$219,000 valuation allowance carryover from fiscal 1999. As more fully described in Note 4 to the Consolidated Financial Statements, the Company did not record a provision for federal income taxes for the year ended April 30, 1999 as the provision was fully offset by \$527,000 of the valuation allowance.

As a result of the factors noted above, the Company reported net income of \$322,800 or \$.09 per share for the three months ended and \$1,603,845 or \$.45 per share for the year ended April 30, 2000, compared to net income of \$504,368 or \$.16 per share and \$1,304,570 or \$.41 per share for the comparable periods in fiscal 1999. All per share amounts are diluted. This equated to an improvement over fiscal 1999 of 23%. The quarter ended April 30, 2000 showed a decrease of approximately 36% or \$181,568, from the same period in fiscal 1999 primarily because \$240,000 of federal tax expense was recorded in the fourth quarter of fiscal 2000 compared to none in the fourth quarter of fiscal 1999. Weighted average shares outstanding for fiscal 2000 increased primarily because of employee stock option exercises and the issuance of 300,000 shares for the acquisition of ProVal Corporation during that year.

## Quarterly Results

The following table sets forth selected unaudited quarterly financial data for the last eight quarters:

	Fiscal 2000				Fiscal 2001			
	July 31, 1999	October 31, 1999	January 31, 2000	April 30, 2000	July 31, 2000	October 31, 2000	January 31, 2001	April 30, 2001
Net revenues	\$ 10,466,364	\$ 11,025,781	\$ 11,304,653	\$ 10,848,579	\$ 10,065,506	\$ 9,363,251	\$ 10,285,603	\$ 11,412,226
Gross profit	3,154,474	3,946,497	3,729,961(1)	3,755,523	2,973,621	2,776,081	3,606,730	4,120,870
Operating income (loss)	481,335	550,453	634,819	413,023	(495,939)	(1,202,634)	453,478	384,148
Other income (expense), net	64,815	37,903	11,720	149,777	(22,168)	(81,732)	(101,498)	(48,285)
Net income (loss)	396,150	438,356	446,539	322,800	(342,107)	(870,366)	231,980	39,863
Basic earnings (loss) per share	.12	.13	.13	.10	(.10)	(.25)	.07	.01
Diluted earnings (loss) per share	.11	.12	.12	.09	(.10)	(.25)	.06	.01

(1) Third quarter amounts restated to reflect reclassification of certain expenses to conform with all other periods presented.

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## Financial Condition and Liquidity

Working capital of \$2,648,259 at April 30, 2001 has increased compared to \$1,158,596 at April 30, 2000. These levels reflect current ratios of 1.18 and 1.08, respectively. The increase in working capital is primarily due to the generation of a federal income tax receivable and a reduction in bonuses earned resulting from the Company's net loss position for the year ended April 30, 2001 as well as a lower prior year value due to the cash requirements of the CPS Systems, Inc. acquisition.

Shareholders' equity at April 30, 2001 decreased by approximately \$315,000 to \$11,140,522 from the balance reported at April 30, 2000, primarily because of the \$940,630 net loss which was offset by \$231,620 of employee stock purchases and \$393,765 of deferred compensation expense that were recorded during the year. As a result, book value per share has decreased to \$2.95 as of April 30, 2001 from \$3.26 at April 30, 2000.

The nature of the Company's business is generally not property or equipment intensive. Net capital expenditures of approximately \$477,000 for the year ended April 30, 2001, are substantially lower than the prior year amount of \$2,304,000 primarily because the Company acquired a new 25,000 square foot corporate office, including furniture and fixtures for approximately \$1,300,000 in July, 1999, which explains the unusually high amount of capital expenditures for that year. In addition, current year expenditures which relate primarily to the purchase of computer hardware and software for the Company's technical and support personnel, were also lower than similar prior year purchases due to tighter cash flow controls instituted in fiscal 2001.

As the Company's revenues are generated from contracts with local governmental entities, it is not uncommon for certain of its accounts receivable to remain outstanding for approximately three to four months, thereby having a negative impact upon cash flow. The Company's current loan agreement with Comerica Bank provides for a secured \$4.5 million line of credit to the Company at the prime rate of interest through November 1, 2002, and a \$1.4 million installment note with required monthly payments of \$100,000 commencing January 1, 2001, at the prime rate of interest less .25%. As of April 30, 2001, \$2,564,286 of borrowings were outstanding under this line of credit and \$1,000,000 remained outstanding under the installment note payable. The Company anticipates that the revolving line of credit, together with existing cash balances, and cash generated from future operations will be sufficient for the Company to meet its working capital requirements for at least the next 12 months.

The Company cannot determine precisely the effect of inflation on its business. The Company continues, however, to experience relatively stable costs for its inventory as the computer hardware market is very competitive. The Company anticipates that inflationary price increases related to labor and overhead will have a negative effect on cash flow and net income to the extent that the increases cannot be offset through improved productivity and price increases.

## "Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995

This Form 10-K contains statements that are not historical facts. These statements are called "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements involve important known and unknown risks, uncertainties and other factors and can be identified by phrases using "estimate," "anticipate," "believe," "project," "expect," "intend," "predict,"

"potential," "future," "may," "should" and similar expressions or words. The Company's future results, performance or achievements may differ materially from the results, performance or achievements discussed in the forward-looking statements. There are numerous factors that could cause actual results to differ materially from the results discussed in forward-looking statements, including:

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The impact that the following factors can have on the Company's business and the computer software and service industry in general:

Changes in competition and pricing environments: if competition increases in the computer software and service industry (particularly the segment of the industry that supplies governmental units), companies with greater capital reserves and greater diversification may have more options at their disposal for handling increased competition than we do.

Potential negative side effects stemming from the Company's expansion into new regional markets, including Canada: as a result of this expansion, the Company may face pitfalls that it is not fully aware of considering its lack of experience.

Pricing and availability of equipment, materials, inventories and programming.

Changes in existing computer software and service industry laws or the introduction of new laws, regulations or policies that could affect the Company's business practices, including, by way of example, intellectual property laws and laws affecting software providers' liability: these laws, regulations or policies could impact the computer software and service industry as a whole, or could impact only those portions of the computer software and service industry in which we are currently active, for example, privacy laws regulating how governmental units store and provide access to information; in either case, the Company's profitability could be injured due to an industry-wide market decline or due to the Company's inability to compete with other computer software and service industry companies that are unaffected by these laws, regulations or policies.

Changes in technology that render our products obsolete or incompatible with hardware or other software.

The Company's success in and expense associated with the development, production, testing, marketing and shipping of products, including a failure to ship new products and technologies when anticipated, failure of customers to accept these products and technologies when planned and any defects in products.

The Company's ability to implement successfully its business strategy of developing and licensing client/server decision support applications software designed to address specific industry markets.

The Company's ability to assess future revenue: the Company's expense levels are based, in part, on its expectations as to future revenue and a significant portion of the Company's expenses do not vary with revenue; as a result, if revenue is below expectations, results of operations are likely to be materially adversely affected.

Continued availability of third party software and technology incorporated in the Company's products.

Potential negative impact of the fact that purchase of the Company's products is relatively discretionary and generally involves a significant commitment of capital; in the event of any downturn in any potential customer's business or the economy in general, purchases of the Company's products may be deferred or canceled.

Changes in economic conditions, including changes in interest rates, financial market performance and the computer software and service industry: these types of changes can impact the economy in general, resulting in a downward trend that impacts not only the Company's business, but all computer software and service industry companies; or, the changes can impact only those parts of the economy upon which the Company relies in a unique fashion, including, by way of example:

Economic factors that affect local governmental budgets.

Factors that the Company has discussed in previous public reports and other documents filed with the Securities and Exchange Commission.

The Company's ability to obtain financing from commercial lenders and to obtain performance bonds from surety companies.

This list provides examples of factors that could affect the results described by forward-looking statements contained in this Form 10-K. However, this list is not intended to be exhaustive; many other factors could impact the Company's business and it is impossible to predict with any accuracy which factors could result in which negative impacts. Although the Company believes that the forward-looking statements contained in this Form 10-K are reasonable, the Company cannot provide any guarantee that the anticipated results will be achieved. All forward-looking statements in this Form 10-K are expressly qualified in their entirety by the cautionary statements contained in this section and readers are cautioned not to place undue reliance on the forward-looking statements contained in this Form 10-K. In addition to the risks listed above, other risks may arise in the future, and the Company disclaims any obligation to update information contained in any forward-looking statement.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

The Company's primary market risk exposure is a potential change in interest rates in connection with its loan agreements. As of April 30, 2001, approximately \$3,564,000 of borrowings were outstanding compared to approximately \$474,000 as of April 30, 2000. A 1% change in interest rates would not have a material adverse impact on the Company's financial position.

**Item 8. Financial Statements and Supplementary Data.**

The response to this Item is set forth in Appendix A of this Annual Report on Form 10-K, which is incorporated herein by reference and in Item 7 of this Annual Report, which is incorporated herein by reference.

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

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### **PART III**

**Item 10. Directors and Executive Officers of the Registrant.**

The information regarding directors of the Company contained under the captions "Board of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the definitive Proxy Statement of the Company for its annual meeting of shareholders to be held October 4, 2001, is incorporated by reference. The information regarding executive officers is provided in the Supplemental Item following Item 4 in Part I of this Annual Report on Form 10-K and is here incorporated by reference.

**Item 11. Executive Compensation.**

The information contained under the captions "Compensation of Directors," "Executive Compensation," and "Compensation Committee Interlocks and Insider Participation" in the definitive Proxy Statement of the Company for its annual meeting of shareholders to be held October 4, 2001, is incorporated by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management.**

The information contained under the caption "Voting Securities," "Ownership of Common Stock," and "Securities Ownership of Management" in the definitive Proxy Statement of the Company for its annual meeting of shareholders to be held October 4, 2001, is incorporated by reference.

**Item 13. Certain Relationships and Related Transactions.**

The information under the captions "Compensation Committee Interlocks and Insider Participation" and "Certain Relationships and Related Transactions" in the definitive Proxy Statement of the Company for its annual meeting of shareholders to be held October 4, 2001, is incorporated by reference.

### **PART IV**

**Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.**

Item 14(a)(1). List of Financial Statements. The following report, Consolidated Financial Statements of the Company, and notes thereto are filed as a part of this report:

Report of Arthur Andersen LLP, Independent Public Accountants, dated July 9, 2001

Consolidated Balance Sheets as of April 30, 2001 and April 30, 2000

Consolidated Statements of Operations for the years ended April 30, 2001, 2000, and 1999

Consolidated Statements of Shareholders' Equity for the years ended April 30, 2001, 2000, and 1999

Consolidated Statements of Cash Flows for the years ended April 30, 2001, 2000, and 1999

Notes to Consolidated Financial Statements

**Item 14(a)(2).**      **Financial Statement Schedules.** Not applicable.

**Item 14(a)(3).**      **List of Exhibits.** The following exhibits are filed as a part of this report:

<u>Exhibit Number</u>	<u>Description</u>
2.1	Agreement and Plan of Merger by and among ProVal Corporation, Manatron, Inc., and ProVal Acquisition Corporation, dated May 28, 1999, as amended. Previously filed as an exhibit to the Company's Form 8-K filed on June 18, 1999 and incorporated herein by reference.
2.2	Bills of Sale and Court Orders concerning the purchase of certain assets of CPS Systems, Inc., dated March 31, 2000 and June 13, 2000.
3.1	Restated Articles of Incorporation.
3.2	Bylaws. Previously filed as an exhibit to the Company's Form 10-K Annual Report for the fiscal year ended April 30, 1999 and incorporated herein by reference.
4.1	Restated Articles of Incorporation. See Exhibit 3.1 above.
4.2	Bylaws. See Exhibit 3.2 above.
4.3	Rights Agreement dated June 2, 1997 between Manatron, Inc. and Registrar and Transfer Company. Previously filed as an exhibit to the Company's Form 8-A filed on June 11, 1997, and incorporated herein by reference.
10.1	Manatron, Inc. 1989 Stock Option Plan.*
10.2	Manatron, Inc. 1995 Long-Term Incentive Plan.*
10.3	Executive Employment Agreement with Randall L. Peat.*
10.4	Manatron, Inc. Employee Stock Ownership and Salary Deferral Plan.*

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- 10.5 Manatron, Inc. 1994 Long-Term Incentive Plan.\*
- 10.6 Employment Agreement with Douglas A. Peat dated October 10, 1996.\* Previously filed as an exhibit to the Company's Form 10-K Annual Report for the fiscal year ended April 30, 1997, and incorporated herein by reference.
- 10.7 Employment Agreement with Jane M. Rix dated October 10, 1996.\* Previously filed as an exhibit to the Company's Form 10-K Annual Report for the fiscal year ended April 30, 1997, and incorporated herein by reference.
- 10.8 Employment Agreement with Paul R. Sylvester dated October 10, 1996.\* Previously filed as an exhibit to the Company's Form 10-K Annual Report for the fiscal year ended April 30, 1997, and incorporated herein by reference.
- 10.9 Employment Agreement with J. Wayne Moore dated May 28, 1999.\*

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Previously filed as an exhibit to the Company's Form 10-K Annual Report for the fiscal year ended April 30, 1999 and incorporated herein by reference.

- 10.10 Manatron, Inc. Executive Incentive Plan for 2001.\* Previously filed as an exhibit to the Company's Form 10-Q Quarterly Report for the period ended January 31, 2001.
- 10.11 Form of Indemnity Agreement.\* Previously filed as an exhibit to the Company's Form 10-K Annual Report for the fiscal year ended April 30, 1998, and incorporated herein by reference.
- 10.12 Restricted Stock Plan of 1998.\* Previously filed as an exhibit to the Company's Definitive Proxy Statement for its Annual Meeting of Shareholders held October 8, 1998, and here incorporated by reference.
- 10.13 Employee Stock Purchase Plan of 1998.\* Previously filed as an exhibit to the Company's Definitive Proxy Statement for its Annual Meeting of Shareholders held October 8, 1998, and here incorporated by reference.
- 10.14 Registration Rights Agreement dated May 28, 1999, between Manatron, Inc. and Jennings Wayne Moore. Previously filed as an exhibit to the Company's Form S-3, filed on September 21, 1999.
- 10.15 Letter Loan Agreement between Comerica Bank and Manatron, Inc., dated April 20, 2000. Previously filed as an exhibit to the Company's Form 10-K Annual Report for the fiscal year ended April 30, 2000, and incorporated herein by reference.
- 10.16 Promissory Note between Comerica Bank and Manatron, Inc., dated April 20, 2000. Previously filed as an exhibit to the Company's Form 10-K Annual Report for the fiscal year ended April 30, 2000, and incorporated herein by reference.

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- 10.17 Guaranty between Comerica Bank and Manatron, Inc., dated April 20, 2000. Previously filed as an exhibit to the Company's Form 10-K Annual Report for the fiscal year ended April 30, 2000, and incorporated herein by reference.
- 10.18 Manatron, Inc. Stock Incentive Plan of 1999.\* Previously filed as an exhibit to the Company's Definitive Proxy Statement for its Annual Meeting of Shareholders held October 7, 1999 and here incorporated by reference.
- 10.19 Manatron, Inc. Executive Stock Plan of 2000.\* Previously filed as an exhibit to the Company's Definitive Proxy Statement for its Annual Meeting of Shareholders held October 5, 2000 and here incorporated by reference.
- 10.20 Manatron, Inc. Restricted Stock Plan of 2000.\* Previously filed as an exhibit to the Company's Form 10-Q Quarterly Report for the period ended October 31, 2000 and here incorporated by reference.
- 21 Subsidiaries of Registrant.
- 23 Consent of Independent Public Accountants.

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- 24 Powers of Attorney.
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\*Management contract or compensatory plan or arrangement.

The Company will furnish a copy of any exhibit listed above to any shareholder of the Company without charge upon request to Jane M. Rix, 510 East Milham Road, Portage, Michigan 49008.

**Item 14(b) Reports on Form 8-K.**

The Company filed a Form 8-K on March 15, 2001, to report under Item 9 the Company's issuance of a press release concerning its fiscal 2001 third-quarter results.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MANATRON, INC.

Dated: 7/26/01

By /s/ Paul R. Sylvester

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Paul R. Sylvester  
President, Chief Executive Officer, and  
Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Paul R. Sylvester

Date: 7/26/01

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Paul R. Sylvester

President, Chief Executive Officer, and  
Director (Principal Executive Officer)

/s/ Krista L. Inosencio

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Date: 7/26/01

Krista L. Inosencio  
Director of Accounting and Finance (Principal Financial  
and Accounting Officer)

\*s/ Randall L. Peat

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Date: 7/26/01

Randall L. Peat,  
Chairman of the Board

\*s/ Richard J. Holloman

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Date: 7/26/01

Richard J. Holloman,  
Director

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\*s/ Douglas A. Peat

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Date: 7/26/01

Douglas A. Peat  
Regional Vice President and Director

\*s/ Jane M. Rix

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Date: 7/26/01

Jane M. Rix  
Secretary and Director

\*s/ Stephen C. Waterbury

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Date: 7/26/01

Stephen C. Waterbury  
Director

\*s/ Harry C. Vorys

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Date: 7/26/01

Harry C. Vorys  
Director

\*/s/ Gene Bledsoe

Date: 7/26/01

Gene Bledsoe  
Director

\*/s/ Allen F. Peat

Date: 7/26/01

Allen F. Peat  
Director

\*/s/ W. Scott Baker

Date: 7/26/01

W. Scott Baker  
Director

\*By

/s/ Paul R. Sylvester

Date: 7/26/01

Paul R. Sylvester  
Attorney-in-Fact

APPENDIX A

MANATRON, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

TOGETHER WITH AUDITORS' REPORT

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Board of Directors and Shareholders

We have audited the accompanying consolidated balance sheets of MANATRON, INC. and Subsidiary (a Michigan corporation) as of April 30, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended April 30, 2001. These financial statements are the responsibility of the Company'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 financial position of Manatron, Inc. and Subsidiary as of April 30, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 2001, in conformity with accounting principles generally accepted in the United States.

Grand Rapids, Michigan  
July 9, 2001

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**MANATRON, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
AS OF APRIL 30,**

ASSETS	2001	2000
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 700,840	\$ 608,062
Accounts receivable less allowances of \$1,286,000 in 2001 and \$1,190,000 in 2000	8,740,648	7,818,663
Federal income tax receivable	935,000	--
Revenues earned in excess of billings and retainages on long-term contracts	3,970,877	3,824,887
Notes receivable	1,066,064	1,179,119
Inventories	245,995	363,588
Deferred tax assets	1,453,000	2,195,664
Other current assets	216,456	170,960



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Total current liabilities	14,680,621	15,002,347
	<hr/>	<hr/>
<b>DEFERRED INCOME TAXES</b>	30,000	242,878
	<hr/>	<hr/>
<b>OTHER LONG-TERM LIABILITIES</b>	--	23,733
	<hr/>	<hr/>
<b>SHAREHOLDERS' EQUITY</b>		
Preferred stock, no par value, 2,000,000 shares authorized, none issued	--	--
Common stock, no par value, 7,500,000 shares authorized, 3,779,809 and 3,518,245 shares issued and outstanding at April 30, 2001 and 2000, respectively	10,495,883	8,707,431
Retained earnings	2,131,582	3,072,212
Deferred compensation	(1,486,943)	(298,876)
Unearned ESOP shares	--	(25,000)
	<hr/>	<hr/>
Total shareholders' equity	11,140,522	11,455,767
	<hr/>	<hr/>
	\$	
	<hr/>	