



# Timeless

2015 ANNUAL REPORT

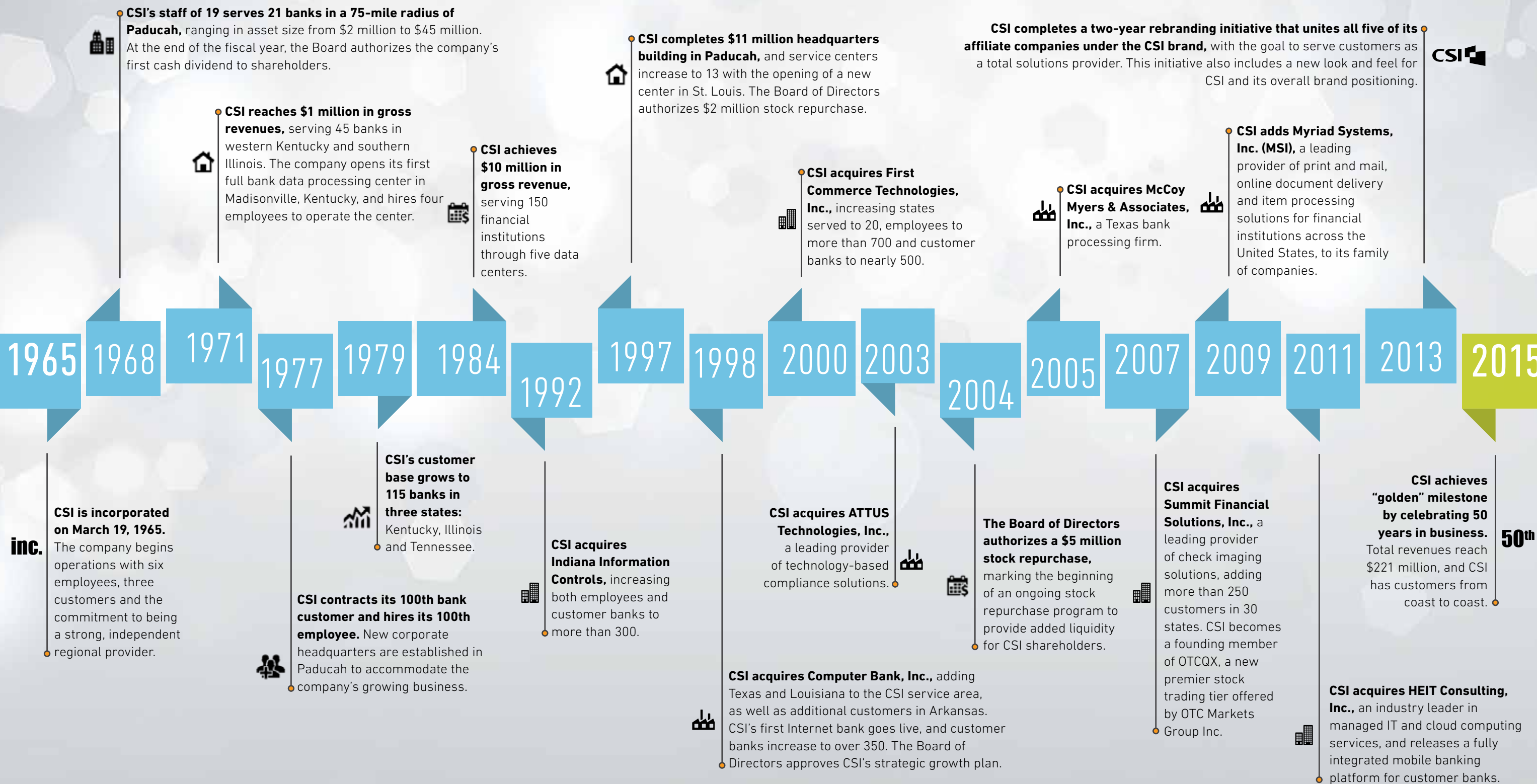
# Timeless

**At CSI, we stand behind a timeless business model that's paved the way to our 50th anniversary.**

Concepts like putting customers first, doing business the right way and believing that innovation should always be pursued never go out of style. These ideas are the cornerstone of "the CSI way," and they have provided the foundation for 50 successful years in the financial services industry. And as we celebrate this golden milestone, we know that these timeless principles, which we still adhere to today, empower us to continue our tradition of creating value for our customers, our employees and our shareholders. Thank you for supporting CSI through five decades of service and innovation—and thank you for your continued investment in our future.

**50<sup>th</sup>**  
**ANNIVERSARY**  
**1965**  
**2015**

# HISTORICAL TIMELESSNESS



# financial HIGHLIGHTS

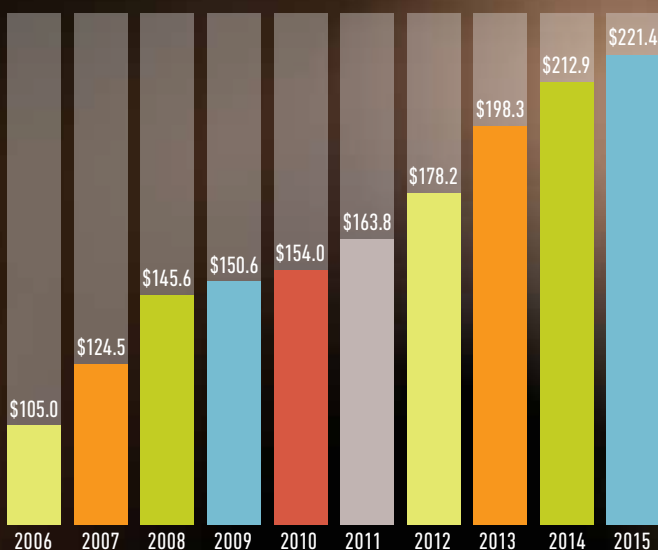
(in thousands, except share, per share and employee data)

Percentage change

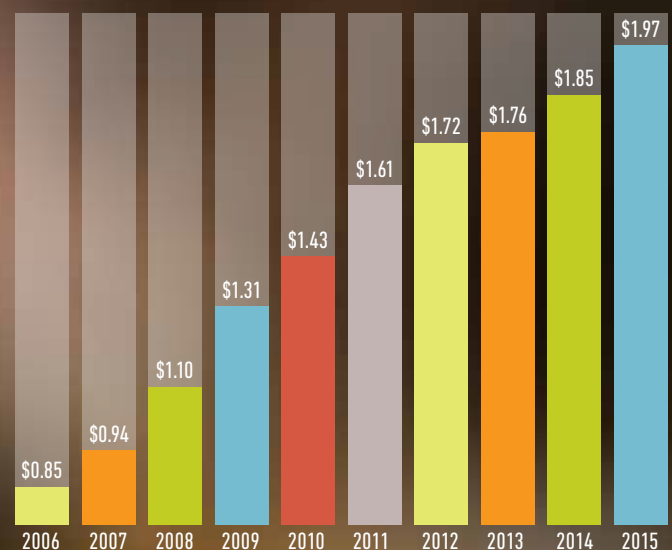
YEARS ENDED FEBRUARY 28,	2015	2014	2013	2015	2014
Revenues	\$ 221,385	\$ 212,914	\$ 198,256	4.0 %	7.4 %
Net income	27,839	26,656	25,839	4.4	3.2
Earnings per common share, diluted	1.97	1.85	1.76	6.5	5.1
Net cash provided by operating activities	\$ 38,550	\$ 36,625	\$ 41,102	5.3 %	(10.9) %
Capital expenditures, net	11,407	13,421	21,025	(14.9)	(36.2)
Share repurchases	5,277	13,242	5,068	(60.1)	161.3
Cash dividends paid on common stock - regular	10,769	8,685	7,797	24.0	11.4
Per share of common stock	0.76	0.60	0.53	26.7	13.2
Cash dividends paid on common stock - special	-	-	14,701	-	-
Per share of common stock	-	-	1.00	-	-
Return on average shareholders' equity	20.2 %	20.8 %	20.6 %		

AT FEBRUARY 28,	2015	2014	2013	2015	2014
Total debt	\$ -	\$ 7	\$ 67	(100.0) %	(89.6) %
Debt to total capitalization	- %	-	0.1 %		
Common shares outstanding	14,110,849	14,227,951	14,620,743	(0.8) %	(2.7) %
Stock price per common share	\$ 40.55	\$ 33.25	\$ 29.69	22.0	12.0
Market capitalization	\$ 572,195	\$ 473,079	\$ 434,090	21.0	9.0
Employees	1,094	1,104	1,099	(0.9)	0.5

REVENUE (in millions) CAGR\* – 8.9%



DILUTED EARNINGS PER SHARE CAGR\* – 10.6%



\*Compound Annual Growth Rate



# DEAR SHAREHOLDER,

We continue to use our strong financial position and cash flow to return a portion of CSI's earnings to shareholders through our cash dividend program and repurchases of CSI stock.

STEVEN A. POWLESS | CHIEF EXECUTIVE OFFICER

## CEO'S STATEMENT

I am pleased to report that, during fiscal year 2015, CSI completed the most successful year in our company's history. We reported record revenues and earnings, and we set new records across our company. As we enter our 51st year in business, we remain committed to those timeless values on which our company is built—offering innovative solutions, doing business the right way and putting customers first—because they position us for continued growth as we look forward to our future.

### Celebrating 50 Years of Building Shareholder Value

We celebrated our 50th anniversary on March 19, 2015. The event was highlighted by a review of company milestones over the past 50 years and a tribute to John A. Williams, Sr., CSI's founder and chairman of the board. His extraordinary strategic vision and management skills laid the foundation for CSI's success today.

Our company was launched in 1965 by John and five other CSI team members. They started with three customers, and by 1968, CSI had expanded to servicing 21 banks. It was also the first year that CSI paid a cash dividend to shareholders. Since 1972, CSI's Board of Directors has increased the cash dividend every year—that's 43 consecutive annual increases in the cash dividend paid to CSI shareholders. It's a record that very few public companies can match and highlights our Board's long-term commitment to building shareholder value.

CSI's Board of Directors authorized a 37.5% increase in the cash dividend to \$0.22 per share during the third quarter of fiscal 2015. In addition, the board authorized an additional \$10 million repurchase of company stock during the year, bringing the total to \$85 million since the current repurchase program was announced in March 2004. We continue to use our strong financial position and cash flow to return a portion of CSI's earnings to shareholders through our cash dividend program and repurchases of CSI stock.

### CSI Revenues and Earnings Hit 50-Year High

Total revenues hit \$221.4 million in fiscal 2015, a 50-year record high. Our solid growth in revenues continues to benefit from our large base of recurring revenue from long-term contracts, high percentage of contract renewals, sales to new core customers, growth in transaction volume and increased cross-sales to existing customers. Our processing revenues increased 4.7% to \$140.5 million in fiscal 2015, and other revenues rose 2.7% to \$80.9 million compared with the prior fiscal year.



**43** CONSECUTIVE  
ANNUAL  
INCREASES  
IN CASH  
DIVIDENDS

# \$1.97<sup>NET INCOME</sup> PER DILUTED SHARE

CSI's operating income rose 3.9% to a record \$45.8 million compared with the prior fiscal year. Net income rose 4.4% to a record \$27.8 million compared with \$26.7 million in fiscal 2014. Our net income per share rose 6.5% to \$1.97 compared with \$1.85 in the prior year. Our higher growth rate in per share earnings benefited from CSI shares repurchased since the prior year.

We completed fiscal 2015 with record assets of \$189.2 million. CSI's financial position remains strong with solid cash flow from operations and no debt. During the year, we invested \$11.4 million in new equipment and software and returned \$16.4 million to shareholders in cash dividends, stock repurchases and redemptions.

## **Strategic Investments Build Long-Term Customer Base**

We continue to invest in technology, infrastructure and people to support our future growth. We've made significant investments in building out our sales team over the past few years as part of our Strategic Growth Initiative (SGI). We also expanded our marketing initiatives to raise customer awareness about our best-in-class products and services. Our excellent sales team and increased visibility in key markets contributed to growing our customer base across every CSI division and building our pipeline of business to fuel our continued growth.

We believe our customers' long-term commitment to CSI highlights their satisfaction with our products, services and customer support. Our success in renewing these contracts has been key to our 50 years of growth. We are very proud of our world-class relationship management team, which continues to exceed our customers' expectations as measured by surveys and our very high renewal rate for contracts with existing customers.

\$50<sup>1 SHARE</sup>  
1965

SAME SHARE VALUE TODAY  
\$214,428



## STOCK SPLIT HISTORY

2 FOR 1      04.30.2010  
                  10.15.2004  
                  12.31.2001

5%            12.13.1999  
                  12.14.1998

2 FOR 1      02.28.1995  
                  06.30.1992  
                  11.30.1988

3 FOR 1      04.23.1979

25 FOR 1     04.25.1972

ORIGINAL  
 STOCK ISSUE    08.12.1965

## Focus on the Future – The Next 50 Years

CSI has achieved an enviable record over the past 50 years. During that time, we've grown to nearly 1,100 employees and thousands of customers. We transformed CSI from a regional core bank processor to a national technology company that provides a full suite of innovative solutions that also includes managed services, mobile and Internet, payments processing, regulatory compliance, and electronic and print distribution products and services.

John's leadership set in motion our long-term commitment to investing in our infrastructure and staff to provide our customers with a high level of service, support and new product innovation that has become CSI's hallmark. Based on our ongoing success, our goal is to continue building shareholder value in the future through these timeless initiatives.

We remain excited about CSI's future. Thanks to John Williams and the entire CSI team, we believe our company is positioned well for continued growth and momentum. We look forward to our next 50 years of serving our customers and building additional shareholder value.



STEVEN A. POWLESS | CHIEF EXECUTIVE OFFICER



# CONTENT

- 07 Management's Discussion and Analysis
- 18 Selected Financial Data
- 20 Management's Statement of Responsibility
- 21 Independent Auditor's Report
- 22 Consolidated Statements of Income
- 23 Consolidated Balance Sheets
- 24 Consolidated Statements of Changes in Equity
- 25 Consolidated Statements of Cash Flows
- 26 Notes to Consolidated Financial Statements
- 34 Quarterly Financial Information
- 35 Investor Information

# Management's Discussion and Analysis of Financial Condition and Results of Operations

*(in thousands, except share and per share data)*

The following discussion and analysis provides information that management believes is relevant to an understanding of the Company's results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this annual report.

## **FORWARD-LOOKING STATEMENTS**

All statements except historical statements contained herein constitute "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. This annual report, quarterly reports and other written and oral statements that we make from time to time contain such forward-looking statements that may anticipate results based on management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and words and terms of similar substance in connection with any discussion of future operating or financial performance. Nonetheless, all statements except historical statements contained herein constitute "forward-looking statements." Forward-looking statements are inherently uncertain and are based only on current expectations and assumptions that are subject to future developments that may cause results to differ materially. Readers should carefully consider: (i) economic, competitive, technological and governmental factors affecting CSI's operations, customers, markets, services, products and prices; (ii) risk factors affecting the financial services information technology industry generally including, but not limited to, cybersecurity risks that may result in increased costs to CSI to protect against the risks, as well as liability or reputational damage to CSI in the event of a breach of our security; and (iii) other factors discussed in the Company's annual report, quarterly reports, Information and Disclosure Statements and other documents posted from time to time on the OTCQX website (available at either [www.otcm Markets.com](http://www.otcm Markets.com) or [www.otcqx.com](http://www.otcqx.com)), including without limitation, the description of the nature of CSI's business and its management discussion and analysis of financial condition and results of operations for reported periods. Except as required by law or OTC Markets Group, Inc., CSI undertakes no obligation to update, and is not responsible for updating, the information contained or incorporated by reference herein beyond the publication date, whether as a result of new information or future events, or to conform this document to actual results or changes in CSI's expectations, or for changes made to this document by wire services or Internet services or otherwise.

## OVERVIEW

**Our Business.** We provide service and information technology solutions to meet the business needs of financial institutions and corporate entities, predominantly, in both service bureau and in-house environments. Our customer mix includes community banks, regional banks and multi-bank holding companies, and a variety of other business enterprises, each with a unique set of information, technology and service requirements.

We derive our revenues from processing services, maintenance, and support fees; software licensing and installation fees; professional services; and equipment and supply sales. In addition to core processing, our integrated banking solutions include check imaging; cash management; branch and merchant capture; mobile and Internet banking; print and mail, and electronic document delivery services; corporate intranets; secure web hosting; e-messaging; teller and platform services; ATM and debit card service and support; payments solutions; risk assessment; network management; cloud-based managed services; and compliance software and services for regulatory compliance, homeland security and fraud prevention.

**Market Conditions.** We believe that financial institutions are increasingly focused on technology solutions that can help them win and retain customers, generate incremental revenue, enhance their operating efficiencies and comply with increasing regulatory burdens.

CSI has not suffered a significant impact to revenues or results of operations from regulatory actions with respect to troubled financial institutions. The number of such actions has declined in recent years after reaching a peak in 2010.

Legislation such as the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as well as changes in the financial industry, has and will continue to result in numerous new regulations impacting the financial industry. We cannot predict the ultimate effect of such legislation, regulations and industry changes on our customers and on us.

We are beginning to see increased rates of merger and acquisition activity among community banks due to improved bank earnings. We expect our bank customers to be active in this market in the coming year, resulting in both increased fees as our customers acquire other banks and higher early contract termination fees as customers are acquired by non-CSI customer banks. However, the early termination fees do not fully offset the future stream of lost revenues from the terminating banks.

**Acquisitions.** Our business strategy includes the acquisition of complementary businesses financed by a combination of internally generated funds, debt and common stock. Our consolidated financial statements and results of operations reflect the acquired business after the completion of the acquisition and are not restated. We account for acquired businesses using the acquisition method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

## RESULTS OF OPERATIONS

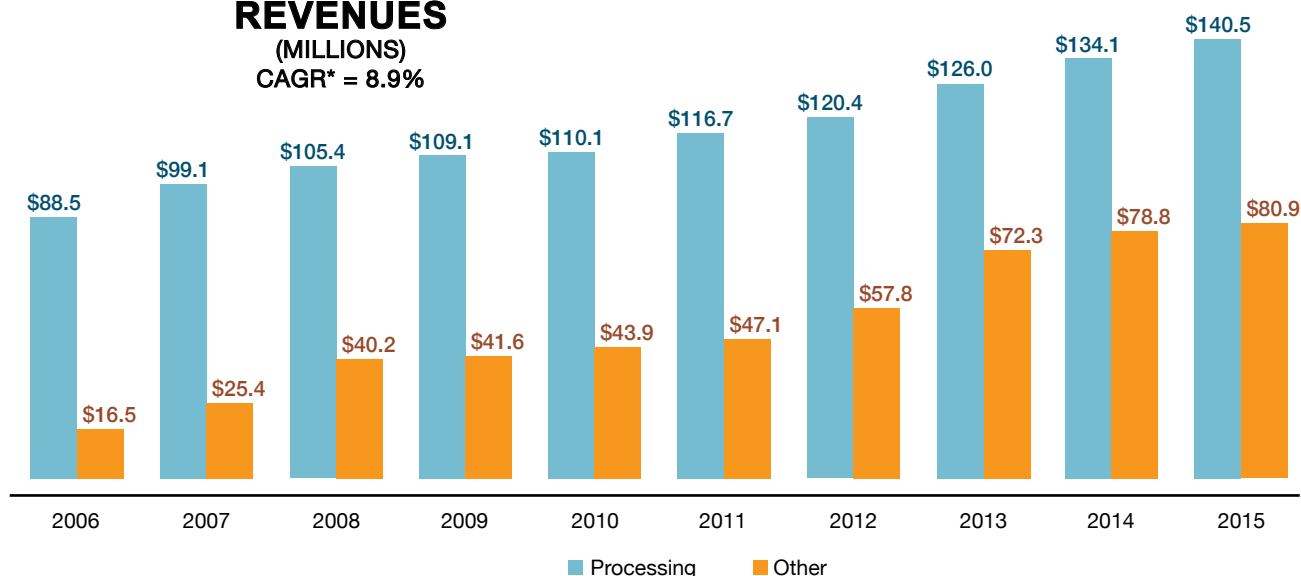
The following table presents the percentage of revenues represented by each item in our consolidated statements of income and the percentage change in those items for the periods indicated:

YEAR ENDED FEBRUARY 28,	Percentage of Revenues			Percentage Change	
	2015	2014	2013	2015	2014
Revenues					
Processing services	63.5 %	63.0 %	63.6 %	4.7 %	6.5 %
Other	36.5	37.0	36.4	2.7	9.0
Total	100.0	100.0	100.0	4.0	7.4
Operating expenses	79.3	79.3	78.9	4.0	7.9
Operating income	20.7	20.7	21.1	3.9	5.3
Interest expense	0.0	(0.0)	(0.0)	nmf*	nmf*
Income before income taxes	20.7	20.7	21.1	4.0	5.3
Provision for income taxes	8.1	8.2	8.1	3.4	8.7
Net income	12.6 %	12.5 %	13.0 %	4.4 %	3.2 %

\* not meaningful

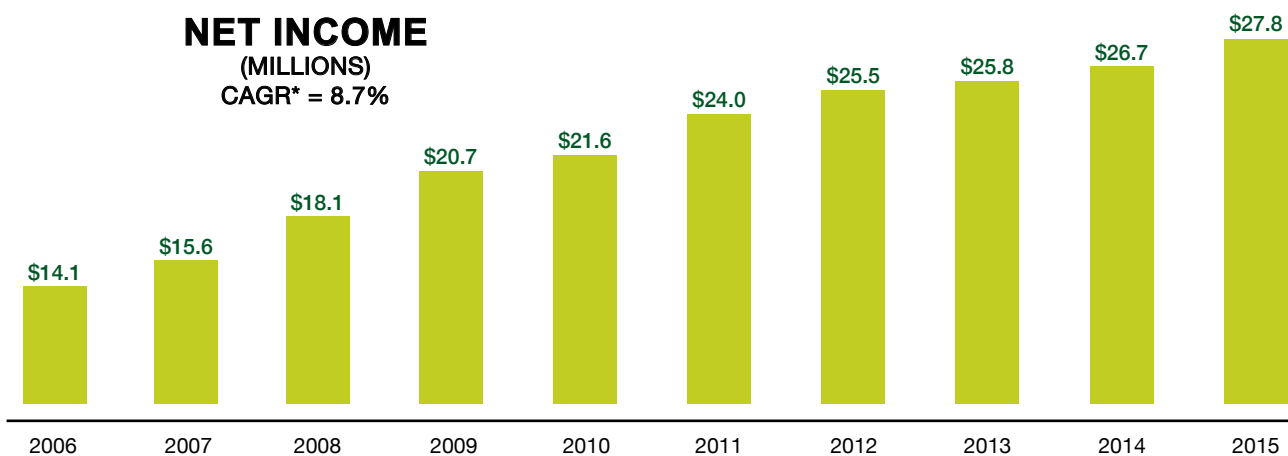
## REVENUES

(MILLIONS)  
CAGR\* = 8.9%



## NET INCOME

(MILLIONS)  
CAGR\* = 8.7%



\*Compound Annual Growth Rate

## **Fiscal 2015 Compared to Fiscal 2014**

**Revenues.** Total revenues increased \$8,471, or 4.0%, to \$221,385 in fiscal 2015 from \$212,914 in fiscal 2014.

Processing revenues increased 4.7% to \$140,479 in fiscal 2015 compared to \$134,133 in fiscal 2014. The growth in processing revenues was primarily driven by to the addition of new customers, cross-sales to existing customers and increases in transaction volumes from existing customers, partially offset by the effect of lost business during fiscal 2015 and 2014. Processing revenues included early contract termination fees of \$3,046 in fiscal 2015 compared to \$3,174 in fiscal 2014. These fees are generated when an existing customer is acquired by another financial institution that is not a CSI customer and can vary significantly from period to period based on the number and size of customers that are acquired and how early in the contract term a customer is acquired.

Other revenues increased 2.7% to \$80,906 in fiscal 2015 compared to \$78,781 in fiscal 2014. Growth in other revenues was primarily due to growth in homeland security and fraud prevention services; print and mail, and electronic delivery services; mobile and Internet banking; and cloud-based managed services. Other revenues included early contract termination fees of \$162 in fiscal 2015 compared to \$62 in fiscal 2014.

**Operating Expenses.** Operating expenses increased \$6,747, or 4.0%, in fiscal 2015 compared to fiscal 2014. The increase in operating expenses was primarily due to:

- higher cost of goods sold related to higher software, hardware and maintenance revenue;
- higher group medical plan expenses due to adverse claims experience in fiscal 2015 compared to fiscal 2014; and
- higher employee-related expenses in fiscal 2015 compared to fiscal 2014 partially attributable to a change in the way we account for commissions to the deferral method in fiscal 2014;

partially offset by:

- lower depreciation, amortization and maintenance expenses on equipment, software and software licenses; and
- savings realized from data center consolidations completed during the third quarter of fiscal 2014 and first quarter of fiscal 2015.

**Operating Income.** Operating income increased \$1,724, or 3.9%, in fiscal 2015 compared to fiscal 2014. Operating margins were a healthy 20.7% in both fiscal 2015 and 2014.

**Interest Income and Expense.** Consolidated net interest income was \$9 in fiscal 2015 compared to consolidated net interest expense of \$34 in fiscal 2014 primarily due to higher average cash balances.

**Provision for Income Taxes.** The provision for income taxes increased to \$17,987 in fiscal 2015 compared to \$17,403 for fiscal 2014 due to higher taxable income partially offset by a lower effective tax rate. The consolidated effective income tax rate was 39.25% and 39.50% in fiscal 2015 and 2014, respectively.

**Net Income.** Net income increased 4.4% to \$27,839 in fiscal 2015 from \$26,656 in fiscal 2014. Earnings per fully diluted share increased 6.5% to \$1.97 in fiscal 2015 from \$1.85 in fiscal 2014. The growth rate in diluted earnings per share exceeded the growth rate in net income due to 1.9% net fewer weighted average diluted shares outstanding for fiscal 2015 primarily as a result of shares purchased during the year under our share repurchase program.

## **Fiscal 2014 Compared to Fiscal 2013**

**Revenues.** Total revenues increased \$14,658, or 7.4%, to \$212,914 in fiscal 2014 from \$198,256 in fiscal 2013.

Processing revenues increased 6.5% to \$134,133 in fiscal 2014 compared to \$126,002 in fiscal 2013. The growth in processing revenues was primarily driven by sales to new customers, cross-sales to existing customers and increases in transaction volumes from existing customers, partially offset by the effect of lost business during fiscal 2014 and 2013. Processing revenues included early contract termination fees of \$3,174 in fiscal 2014 compared to \$563 in fiscal 2013. These fees are generated when an existing customer is acquired by another financial institution that is not a CSI customer and can vary significantly from period to period based on the number and size of customers that are acquired and how early in the contract term a customer is acquired.

Other revenues increased 9.0% to \$78,781 in fiscal 2014 compared to \$72,254 in fiscal 2013. Growth in other revenues was primarily due to growth in homeland security and fraud prevention services; print and mail, and electronic delivery services; mobile and Internet banking; and cloud-based managed services. Other revenues included early contract termination fees of \$62 in fiscal 2014 compared to \$64 in fiscal 2013.

**Operating Expenses.** Operating expenses increased \$12,426, or 7.9%, in fiscal 2014 compared to fiscal 2013. The increase in operating expenses was primarily due to higher personnel, travel and other expenses attributed to the implementation of our SGI, most of the results of which are now in place; higher cost of goods sold related to increased revenues; and growth in IT and communications infrastructure due to growth in our business and enhancements to our network security and systems redundancy.

**Operating Income.** Operating income increased \$2,232, or 5.3%, in fiscal 2014 compared to fiscal 2013. Operating margins decreased to a still-healthy 20.7% in fiscal 2014 compared to 21.1% in fiscal 2013. The decrease in operating margin was primarily due to investments in our SGI.

**Interest Income and Expense.** Consolidated net interest expense increased \$18 in fiscal 2014 compared to fiscal 2013 primarily due to higher average debt balances.

**Provision for Income Taxes.** The provision for income taxes increased to \$17,403 in fiscal 2014 compared to \$16,006 for fiscal 2013 due to a higher effective tax rate and higher taxable income. The consolidated effective income tax rate was 39.50% and 38.25% in fiscal 2014 and 2013, respectively.

**Net Income.** Net income increased 3.2% to \$26,656 in fiscal 2014 from \$25,839 in fiscal 2013. Earnings per fully diluted share increased 5.1% to \$1.85 in fiscal 2014 from \$1.76 in fiscal 2013. The growth rate in diluted earnings per share exceeded the growth rate in net income due to 1.9% net fewer weighted average diluted shares outstanding for fiscal 2014 primarily as a result of shares purchased during the year under our share repurchase program.

## LIQUIDITY AND CAPITAL RESOURCES

### FINANCIAL ASSET POSITION

Year ended February 28,	2015	2014	2013
Financial assets *	\$ 11,849	\$ 1,085	\$ 566
Short- and long-term debt	-	7	67
Net financial assets	\$ 11,849	\$ 1,078	\$ 499

\* Consists of cash and cash equivalents, short-term loans and investments, and long-term loans and investments.

**Financial Position.** At February 28, 2015, we had cash and cash equivalents of \$11,849, working capital of \$22,923 and a current ratio (current assets to current liabilities) of 1.8:1. At February 28, 2014, we had cash and cash equivalents of \$1,078, working capital of \$9,233 and a current ratio of 1.3:1. At February 28, 2013, we had cash and cash equivalents of \$499, working capital of \$7,498 and a current ratio of 1.3:1.

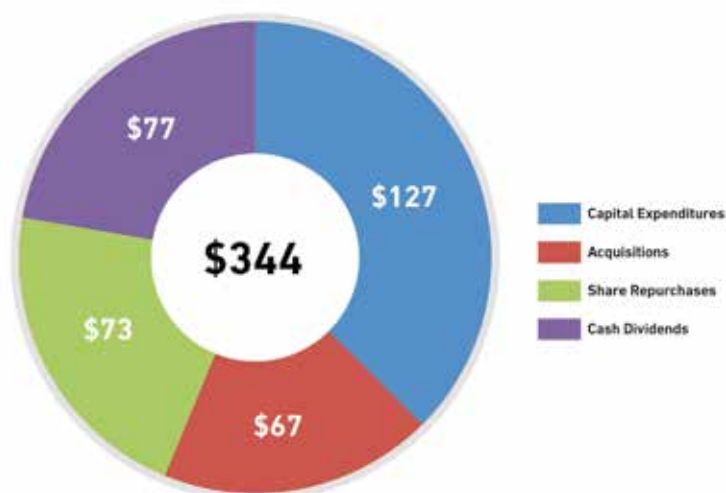
**Cash Equivalents.** Cash equivalents consist primarily of highly liquid investments with maturities of 90 days or less. Whenever possible, cash management is centralized and intercompany financing is used to provide working capital to our operations.

**Debt Capacity.** We have available lines of credit and revolving-credit agreements with a group of banks. As of February 28, 2015, we had access to \$30,000 in lines of credit of which \$5,000 expire within one year. Under these lines of credit, our lenders have committed to loan us up to \$30,000 at our request, subject to our continued compliance with the terms and conditions of the agreements. No amounts were outstanding under these lines of credit as of February 28, 2015.

### SUMMARY OF CASH FLOWS

Years ended February 28,	2015	2014	2013
Cash flows from:			
Operating activities	\$ 38,550	\$ 36,625	\$ 41,102
Investing activities	(11,407)	(13,619)	(21,025)
Financing activities	(16,372)	(22,427)	(28,092)
Net change in cash & cash equivalents	\$ 10,771	\$ 579	\$ (8,015)

### Primary Uses of Cash Since the Beginning of Fiscal 2006 (in millions)





**Operating Activities.** Net cash from operating activities was \$38,550 for fiscal 2015, compared to \$36,625 for fiscal 2014. The increase in net cash provided by operating activities was primarily attributable to:

- the timing of receipts and payments in the ordinary course of business;
- higher current period net income, net of non-cash items such as depreciation and amortization; and
- lower average accounts receivable balances;

partially offset by:

- higher average income tax receivable balances; and
- higher average balances of prepaid expenses.

**Investing Activities.** Net cash used by investing activities was \$11,407 for fiscal 2015, compared to \$13,619 for fiscal 2014. The decrease in net cash used by investing activities was primarily attributable to lower purchases of equipment and software.

**Financing Activities.** Net cash used by financing activities was \$16,372 for fiscal 2015, compared to \$22,427 for fiscal 2014. The decrease in net cash used by financing activities was primarily attributable to:

- a \$26,553 decrease in repayments of long-term debt in fiscal 2015 compared to fiscal 2014; and
- a decrease in common stock purchased and redeemed in fiscal 2015 totaling \$5,596 compared to \$13,682 in fiscal 2014;

partially offset by:

- a decrease in proceeds from the issuance of long-term debt totaling \$9,000 in fiscal 2015 compared to \$35,500 in fiscal 2014 represented by advances from a long-term line of credit (the advances were taken and repaid in full during each fiscal year); and
- a \$2,084 increase in dividends paid to shareholders in fiscal 2015 compared to fiscal 2014.

## CREDIT LINES

We renewed an unsecured bank credit line on January 15, 2014, that provides for funding of up to \$25,000 and bears interest at a floating rate based on one-month LIBOR plus 1.00% (1.17% and 1.16% at February 28, 2015 and 2014, respectively). The credit line expires January 31, 2017. At February 28, 2015, no amount was outstanding under the credit line.

We renewed an unsecured bank credit line on August 11, 2014, that provides for funding of up to \$5,000 and bears interest at a floating rate based on the prime rate minus 1.30% (1.95% and 2.75% at February 28, 2015 and 2014, respectively). The credit line expires August 11, 2015. At February 28, 2015, no amount was outstanding under the credit line.

The credit agreements contain customary restrictive and financial covenants as well as customary events of default. The terms of the credit agreements also include standard provisions related to conditions of borrowing, including a customary material adverse effect clause which could limit our ability to borrow funds. We have not experienced a material adverse effect, and we know of no circumstances or events that would be reasonably likely to result in a material adverse effect. At this time, we do not believe the material adverse effect clause poses a material funding risk to us.

We believe our cash balances, operating cash flows, access to debt financing and borrowing capacity, taken together, provide adequate resources to fund our ongoing liquidity requirements, to fund future expansion opportunities, capital expenditures and share repurchases, and to refinance debt as it matures.

## REPURCHASE OF COMMON STOCK

The Board of Directors has authorized the Company to repurchase shares of its common stock. Under this authorization, the Company may finance its share repurchases with available cash reserves or borrowings under its existing credit facilities. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. The program is conducted on a continuous basis with rolling fund authorizations but, for completeness of presentation, the following descriptions of program activity track discrete fund authorizations.

In December 2011, the Board of Directors authorized a \$5,000 increase in the share repurchase program that we completed in the fourth quarter of fiscal 2013. In total, under the December 2011 authorization, we purchased 164,233 shares at an average price of \$30.44 per share.

In October 2012, the Board of Directors authorized a \$5,000 increase in the share repurchase program that we completed in the second quarter of fiscal 2014. In total, under the October 2012 authorization, we purchased 166,442 shares at an average price of \$30.04 per share.

In June 2013, the Board of Directors authorized a \$5,000 increase in the share repurchase program that we completed in the third quarter of fiscal 2014. In total, under the June 2013 authorization, we purchased 160,528 shares at an average price of \$31.15 per share.

In September 2013, the Board of Directors authorized a \$5,000 increase in the share repurchase program that we completed in the first quarter of fiscal 2015. In total, under the September 2013 authorization, we purchased 149,642 shares at an average price of \$33.41 per share.

In April 2014, the Board of Directors authorized a \$5,000 increase in the share repurchase program. During fiscal 2015 we purchased 122,204 shares under the April 2014 authorization at an average price of \$35.56 per share.

In July 2014, the Board of Directors authorized a \$5,000 increase in the share repurchase program. During fiscal 2015 no shares were purchased under the July 2014 authorization.

At February 28, 2015, \$5,657 remained available pursuant to the April and July 2014 authorizations for share repurchases.

A summary of common stock purchases under our share repurchase program follows:

	Shares of Common Stock Purchased	Average Per-Share Price Paid	Total Cost of Common Stock Purchased
<b>2015:</b>			
July 2014 program	-	\$ -	\$ -
April 2014 program	122,204	35.56	4,343
September 2013 program	26,988	34.58	934
<b>Total</b>	<b>149,192</b>		<b>\$ 5,277</b>
<b>2014:</b>			
September 2013 program	122,654	\$ 33.16	\$ 4,066
June 2013 program	160,528	31.15	5,000
October 2012 program	138,769	30.09	4,176
<b>Total</b>	<b>421,951</b>		<b>\$ 13,242</b>
<b>2013:</b>			
October 2012 program	27,673	\$ 29.78	\$ 824
December 2011 program	139,799	30.36	4,244
<b>Total</b>	<b>167,472</b>		<b>\$ 5,068</b>

## DIVIDENDS ON COMMON STOCK

We declared and paid dividends of \$10,769 in fiscal 2015 and \$8,685 in fiscal 2014. The regular cash dividends of \$0.76 per share in fiscal 2015 reflected an increase of 26.7% over the \$0.60 per share paid in fiscal 2014. Our dividend payout ratio (dividends as a percentage of net income) was 38.7% in fiscal 2015 and 32.6% in fiscal 2014. The fiscal 2015 cash dividend rate marks the 43<sup>rd</sup> consecutive year with an increase in the regular dividend.

We believe our current dividend provides a return to shareholders while maintaining sufficient capital to invest in growing our businesses. To the extent we have additional capital in excess of investment opportunities, we typically offer a return to our shareholders through payment of dividends, the stock repurchase program and redemption transactions. The Board of Directors has indicated that it plans to continue paying dividends as long as our financial performance remains favorable.

## AUDIT AND NON-AUDIT FEES

Aggregate fees for professional services rendered for the Company by (i) McGladrey LLP ("McGladrey"); (ii) Crowe Horwath LLP ("Crowe"); (iii) BKD, LLP ("BKD") and (iv) Plante & Moran, PLLC ("P&M") for fiscal 2015 and fiscal 2014 were:

	2015	2014
<b>McGladrey LLP</b>		
Audit fees	\$ 91	\$ 77
Audit related services	27	-
Tax preparation and planning services	9	9
Other non-auditing services	-	-
<b>Total</b>	<b>\$ 127</b>	<b>\$ 86</b>
<b>Crowe Horwath LLP</b>		
Audit fees	\$ -	\$ -
Audit related services	446	410
Tax preparation and planning services	-	-
Other non-auditing services	54	-
<b>Total</b>	<b>\$ 500</b>	<b>\$ 410</b>
<b>BKD, LLP</b>		
Audit fees	\$ -	\$ -
Audit related services	10	52
Tax preparation and planning services	-	-
Other non-auditing services	-	-
<b>Total</b>	<b>\$ 10</b>	<b>\$ 52</b>
<b>Plante &amp; Moran, PLLC</b>		
Audit fees	\$ -	\$ -
Audit related services	-	-
Tax preparation and planning services	-	-
Other non-auditing services	-	54
<b>Total</b>	<b>\$ -</b>	<b>\$ 54</b>

**Audit Fees.** Aggregate fees billed for professional services rendered for the audit of the Company's consolidated financial statements for fiscal 2015 and fiscal 2014.

**Audit Related Services.** Aggregate fees billed for employee benefit plan audits, service auditor reviews of our data processing controls and procedures as a third party provider of these services to our customers, and merger and acquisition audit services.

**Tax Preparation and Planning Services.** Aggregate fees billed for the preparation or review of the Company's federal and state income tax returns and tax consultations related to tax compliance and planning.

**Other Non-Auditing Services.** Aggregate fees billed for third party administration of our qualified defined contribution plan, and accounting consultations and assistance provided with respect to special issues and other transactions. We do not use McGladrey, Crowe, BKD or P&M for financial information systems design and implementation. These services, which include designing or implementing a system that aggregates source data underlying the financial statements or generates information that is significant to our financial statements, are provided internally or by other service providers. We have a full-time internal audit department and do not engage McGladrey, Crowe, BKD or P&M to provide compliance outsourcing services.

The Audit Committee of the Company's Board has responsibility for appointing, setting compensation for and overseeing the work of the independent auditor. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent auditor.

The Audit Committee has considered the non-audit services provided by McGladrey and Crowe and determined that the provision of such services had no effect on McGladrey's and Crowe's independence from the Company.

## **MARKET RISK**

Market risk refers to the risk that a change in the level of one or more market prices, interest rates, indices, volatilities, correlations or other market factors such as liquidity, will result in losses for a certain financial instrument or group of financial instruments. We are exposed to credit risk on credit extended to customers, and interest rate risk and market price risk on investments and borrowings. We actively monitor these risks through a variety of control procedures involving senior management. We do not currently use any derivative financial instruments. We invest and borrow primarily on a short-term or variable rate basis. Based on the controls in place, credit worthiness of our customer base and the relative size of these financial instruments, we believe the market risk associated with these instruments will not have a material adverse effect on our consolidated financial position or results of operations.

## **NO OFF-BALANCE SHEET ARRANGEMENTS**

As of February 28, 2015, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

## **LEGAL PROCEEDINGS AND CONTINGENCIES**

We and certain of our subsidiaries are involved from time to time in various commercial, tax and other legal disputes and proceedings that arise in the ordinary course of our business.

We record accruals for such contingencies to the extent that we conclude their occurrence is probable and the related damages are estimable. If a range of liability is probable and estimable and some amount within the range appears to be a better estimate than any other amount within the range, we accrue that amount. If a range of liability is probable and estimable and no amount appears to be a better estimate than any other amount within the range, we accrue the minimum of such probable range. These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions (see Notes to Consolidated Financial Statements, Note 2 - Significant Accounting Policies: Use of Estimates in the Preparation of Financial Statements). Our assessments are based on estimates and assumptions that have been deemed reasonable by management.

While we do not believe any of our current legal disputes or proceedings will have a material adverse effect on our financial position or results of operations, litigation is inherently unpredictable, and excessive verdicts do occur. Although we may believe we have substantial defenses in these matters, we could in the future incur judgments or enter into settlements that could have a material adverse effect on our consolidated financial position or results of operations in any particular period.

## **SUBSEQUENT EVENTS**

On March 4, 2015, the Company's Board of Directors declared a cash dividend of 22 cents per share payable to shareholders of record as of the close of business on March 16, 2015. This dividend was paid on March 31, 2015 in the aggregate amount of \$3,104.

In March 2015, the Company's Board of Directors declared a cash dividend of 22 cents per share, or approximately \$3,112 in the aggregate, payable on June 25, 2015 to shareholders of record as of the close of business on June 1, 2015.

In connection with certain agreements entered into during March 2015, the Company has non-cancellable commitments to purchase approximately \$11,000 in software licenses and equipment.

## SELECTED FINANCIAL DATA

(in thousands, except share, per share and employee data)

YEARS ENDED FEBRUARY 28 AND 29,	2015	2014	2013	2012
<b>Income Summary</b>				
Revenues	\$ 221,385	\$ 212,914	\$ 198,256	\$ 178,224
Operating expenses	175,568	168,821	156,395	137,839
Operating income	45,817	44,093	41,861	40,385
Interest income (expense)	9	(34)	(16)	(60)
Income before income taxes	45,826	44,059	41,845	40,325
Provision for income taxes	17,987	17,403	16,006	14,819
Net income	27,839	26,656	25,839	25,506
Net loss attributable to the noncontrolling interest	-	-	-	-
Net income attributable to Computer Services, Inc.	\$ 27,839	\$ 26,656	\$ 25,839	\$ 25,506
<b>Financial Position</b>				
Working capital	\$ 22,923	\$ 9,233	\$ 7,498	\$ 13,097
Current ratio	1.8	1.3	1.3	1.5
Net tangible assets	\$ 77,238	\$ 62,952	\$ 55,878	\$ 55,088
Property and equipment, net	\$ 33,079	\$ 35,252	\$ 34,996	\$ 32,341
Capital expenditures, net	\$ 11,407	\$ 13,421	\$ 21,025	\$ 10,382
Depreciation and amortization	\$ 14,576	\$ 15,524	\$ 14,932	\$ 13,529
Total debt	\$ -	\$ 7	\$ 67	\$ 222
Total debt to total capitalization	- %	- %	0.1 %	0.2 %
Net cash provided by operating activities	\$ 38,550	\$ 36,625	\$ 41,102	\$ 45,783
Free cash flow	\$ 27,143	\$ 23,204	\$ 20,077	\$ 35,401
Return on average shareholders' equity	20.2 %	20.8 %	20.6 %	21.9 %
<b>Per Common Share</b>				
Net income, basic	\$ 1.97	\$ 1.85	\$ 1.76	\$ 1.74
Weighted average common and common equivalent shares outstanding, basic	14,160,707	14,440,668	14,695,122	14,649,630
Net income, diluted	\$ 1.97	\$ 1.85	\$ 1.76	\$ 1.72
Weighted average common and common equivalent shares outstanding, diluted	14,160,707	14,440,668	14,721,622	14,792,213
Cash dividends paid, regular	\$ 0.76	\$ 0.60	\$ 0.53	\$ 0.47
Cash dividends paid, special	\$ -	\$ -	\$ 1.00	\$ -
Book value at year-end	\$ 10.23	\$ 9.23	\$ 8.57	\$ 8.56
Market value at year-end	\$ 40.55	\$ 33.25	\$ 29.69	\$ 32.80
Price-earnings ratio at year-end, diluted	20.6	18.0	16.9	19.1
Dividend yield, regular	1.9 %	1.8 %	1.8 %	1.4 %
Dividend yield, including special dividend			5.2 %	
Dividend payout ratio, regular	38.6 %	32.6 %	30.2 %	27.0 %
Dividend payout ratio, including special dividend			87.1 %	
<b>Margins</b>				
Operating income as a percent of total revenue	20.7 %	20.7 %	21.1 %	22.6 %
Net income as a percent of total revenue	12.6 %	12.5 %	13.0 %	14.3 %
Effective tax rate	39.3 %	39.5 %	38.3 %	36.7 %
<b>Growth Rates</b>				
Revenue	4.0 %	7.4 %	11.2 %	8.8 %
Net income	4.4 %	3.2 %	1.3 %	6.2 %
Earnings per common share, diluted	6.5 %	5.1 %	2.3 %	6.8 %
Cash dividends per common share, regular	26.7 %	13.2 %	12.8 %	14.6 %
<b>Other</b>				
Employees at year-end	1,094	1,104	1,099	1,053

	2011		2010		2009		2008		2007		2006		2005
\$	163,776	\$	153,985	\$	150,649	\$	145,618	\$	124,501	\$	104,980	\$	94,181
	123,898		118,253		116,441		116,752		99,308		81,342		73,720
	39,878		35,732		34,208		28,866		25,193		23,638		20,461
	(182)		(264)		(271)		(684)		(372)		146		255
	39,696		35,468		33,937		28,182		24,821		23,784		20,716
	15,680		13,833		13,235		10,516		9,513		9,680		8,594
	24,016		21,635		20,702		17,666		15,308		14,104		12,122
	-		-		12		427		284		-		-
\$	24,016	\$	21,635	\$	20,714	\$	18,093	\$	15,592	\$	14,104	\$	12,122

\$	9,483	\$	7,742	\$	9,161	\$	9,450	\$	8,181	\$	9,818	\$	22,012
	1.5		1.4		1.6		1.7		1.6		2.1		4.0
\$	56,442	\$	44,510	\$	46,231	\$	47,553	\$	40,371	\$	41,443	\$	50,212
\$	30,008	\$	30,857	\$	28,357	\$	30,005	\$	31,376	\$	26,510	\$	21,216
\$	16,729	\$	10,640	\$	8,600	\$	13,400	\$	9,278	\$	11,655	\$	8,169
\$	14,224	\$	13,537	\$	12,674	\$	12,917	\$	11,405	\$	9,530	\$	8,509
\$	3,290	\$	8,478	\$	5,041	\$	10,117	\$	13,406	\$	10,233	\$	-
	3.0 %		8.3 %		5.6 %		11.1 %		15.3 %		14.1 %		- %
\$	38,533	\$	35,586	\$	34,766	\$	26,558	\$	27,552	\$	23,990	\$	23,553
\$	21,803	\$	24,946	\$	26,166	\$	13,158	\$	18,273	\$	12,335	\$	15,383
	24.0 %		24.4 %		25.0 %		23.3 %		22.8 %		24.1 %		22.7 %

\$	1.64	\$	1.48	\$	1.36	\$	1.15	\$	0.99	\$	0.90	\$	0.76
	14,609,566		14,627,012		15,281,120		15,715,388		15,747,910		15,746,714		16,016,240

\$	1.61	\$	1.43	\$	1.31	\$	1.10	\$	0.94	\$	0.85	\$	0.72
	14,875,352		15,077,878		15,810,934		16,433,286		16,514,986		16,631,388		16,901,844

\$	0.41	\$	0.36	\$	0.33	\$	0.29	\$	0.25	\$	0.21	\$	0.16
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	7.32	\$	6.38	\$	5.69	\$	5.21	\$	4.68	\$	3.97	\$	3.48
\$	26.75	\$	18.05	\$	13.00	\$	16.10	\$	14.65	\$	14.83	\$	17.63
	16.6		12.6		9.9		14.6		15.6		17.4		24.5
	1.5 %		2.0 %		2.6 %		1.8 %		1.7 %		1.4 %		0.9 %

	25.0 %		24.4 %		24.5 %		25.2 %		25.2 %		23.5 %		21.2 %
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	24.3 %		23.2 %		22.7 %		19.8 %		20.2 %		22.5 %		21.7 %
	14.7 %		14.1 %		13.7 %		12.4 %		12.5 %		13.4 %		12.9 %
	39.5 %		39.0 %		39.0 %		37.3 %		38.3 %		40.7 %		41.5 %

	6.4 %		2.2 %		3.5 %		17.0 %		18.6 %		11.5 %		7.7 %
	11.0 %		4.4 %		14.5 %		16.0 %		10.6 %		16.4 %		31.8 %
	12.6 %		9.2 %		19.1 %		17.0 %		10.6 %		18.1 %		30.9 %
	13.6 %		8.6 %		14.4 %		16.4 %		18.9 %		31.1 %		28.3 %

	917		909		902		933		907		832		700
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# Management's Statement of Responsibility

Management of Computer Services, Inc. is responsible for the integrity and objectivity of the information contained in this annual report.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on judgments of management. Other financial information in this annual report is consistent with these financial statements.

The Company maintains a system of internal controls designed to provide reasonable assurance that transactions authorized by management are recorded and reported properly and that assets are safeguarded against loss or unauthorized use. Importantly, the system of controls is continually reviewed for its effectiveness and is augmented by written policies and guidelines, the careful selection and training of qualified personnel, and a strong program of internal audit.

The control environment is complemented by internal auditors who perform extensive audits and evaluate the adequacy of and the adherence to these controls, policies and procedures. In addition, the Company's independent public accountants have audited the financial statements in accordance with auditing standards generally accepted in the United States of America that include the consideration of the Company's

internal controls to the extent necessary to form an independent opinion on the financial statements prepared by management.

The Board of Directors, through the Audit Committee, is responsible for: (i) assuring that management fulfills its responsibilities in the preparation of the Company's financial statements; (ii) appointing the independent accountants; and (iii) conducting reviews with the independent accountants, management, and the internal auditors. The Audit Committee meets regularly with management, the internal auditors and the independent accountants, jointly and separately, to receive reports on management's process of implementation and administration of internal accounting controls and other auditing and financial reporting matters. The independent accountants and the internal auditors have unfettered access to the Audit Committee.



Steven A. Powless  
CEO



David L. Simon  
Treasurer & CFO



# Independent Auditor's Report

To the Shareholders and Board of Directors  
Computer Services, Inc.  
Paducah, Kentucky

## Report on the Financial Statements

We have audited the accompanying financial statements of Computer Services, Inc. and Subsidiaries which comprise the consolidated balance sheets as of February 28, 2015 and 2014, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended February 28, 2015, and the related notes to the consolidated financial statements.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Computer Services, Inc. and Subsidiaries as of February 28, 2015 and 2014, and the results of its operations and its cash flows for each of the three years ended February 28, 2015 in accordance with accounting principles generally accepted in the United States of America.

*McGladrey LLP*

Peoria, Illinois  
April 28, 2015



## CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share and per share data)

YEARS ENDED FEBRUARY 28,	2015	2014	2013
Processing revenues	\$ 140,479	\$ 134,133	\$ 126,002
Other revenues	80,906	78,781	72,254
Total revenues	221,385	212,914	198,256
Operating expenses	175,568	168,821	156,395
Operating income	45,817	44,093	41,861
Interest income (expense)	9	(34)	(16)
Income before income taxes	45,826	44,059	41,845
Provision for income taxes	17,987	17,403	16,006
Net income	\$ 27,839	\$ 26,656	\$ 25,839
Earnings per common share, basic	\$ 1.97	\$ 1.85	\$ 1.76
Earnings per common share, diluted	\$ 1.97	\$ 1.85	\$ 1.76
Shares used in computing earnings per common and common equivalent share			
Basic	14,160,707	14,440,668	14,695,122
Diluted	14,160,707	14,440,668	14,721,622

\* See accompanying notes to consolidated financial statements.

## CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

FEBRUARY 28,	2015	2014
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 11,849	\$ 1,078
Accounts receivable	25,723	25,962
Income tax receivable	2,993	538
Prepaid expenses and other current assets	10,776	9,628
Total current assets	51,341	37,206
Property and equipment, net of accumulated depreciation	33,079	35,252
Software and software licenses, net of accumulated amortization of \$35,467 in 2015 and \$30,564 in 2014	17,773	17,963
Goodwill	60,115	60,115
Intangible assets	7,064	8,264
Other assets	19,842	16,120
<b>Total assets</b>	<b>\$ 189,214</b>	<b>\$ 174,920</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 18,710	\$ 18,536
Deferred revenue	9,515	9,430
Notes payable	-	7
Deferred income taxes	193	-
Total current liabilities	28,418	27,973
Deferred income taxes	15,354	14,418
Other liabilities	1,025	1,198
Total liabilities	44,797	43,589
Shareholders' equity		
Preferred stock; shares authorized, 5,000,000 in 2015 and 2014; none issued	-	-
Common stock, no par; shares authorized, 20,000,000 in 2015 and 2014; shares issued and outstanding, 14,110,849 in 2015 and 14,227,951 in 2014	21,536	20,316
Retained earnings	122,881	111,015
Total shareholders' equity	144,417	131,331
<b>Total liabilities and shareholders' equity</b>	<b>\$ 189,214</b>	<b>\$ 174,920</b>

\* See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands, except share and per share data)

	Common Stock		Retained Earnings	Total
	Shares	Amount		
Balance at February 29, 2012	14,707,495	\$ 18,372	\$ 107,474	\$ 125,846
Net income	-	-	25,839	25,839
Cash dividends paid (\$1.53 per share)	-	-	(22,498)	(22,498)
Issuance of restricted stock	33,229	-	-	-
Restricted stock vested and tax benefit	-	1,266	353	1,619
Restricted stock forfeited	(520)	-	-	-
Purchase of common stock	(167,472)	(256)	(4,812)	(5,068)
Redemption of common stock	(15,974)	(24)	(511)	(535)
Exercise of stock options, net of shares tendered	63,985	164	-	164
Balance at February 28, 2013	14,620,743	\$ 19,522	\$ 105,845	\$ 125,367
Net income	-	-	26,656	26,656
Cash dividends paid (\$.60 per share)	-	-	(8,685)	(8,685)
Issuance of common stock	5,556	181	-	181
Issuance of restricted stock	38,552	-	-	-
Restricted stock vested and tax benefit	-	1,316	178	1,494
Purchase of common stock	(421,951)	(679)	(12,563)	(13,242)
Redemption of common stock	(14,949)	(24)	(416)	(440)
Balance at February 28, 2014	14,227,951	\$ 20,316	\$ 111,015	\$ 131,331
Net income	-	-	27,839	27,839
Cash dividends paid (\$.76 per share)	-	-	(10,769)	(10,769)
Issuance of common stock	6,837	257	-	257
Issuance of restricted stock	36,670	-	-	-
Restricted stock vested and tax benefit	-	1,233	119	1,352
Restricted stock forfeited and tax benefit	(2,180)	-	3	3
Purchase of common stock	(149,192)	(254)	(5,023)	(5,277)
Redemption of common stock	(9,237)	(16)	(303)	(319)
Balance at February 28, 2015	14,110,849	\$ 21,536	\$ 122,881	\$ 144,417

\* See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

YEARS ENDED FEBRUARY 28,	2015	2014	2013
Cash flows from operating activities			
Net income	\$ 27,839	\$ 26,656	\$ 25,839
Adjustments to reconcile net income to net cash from operating activities			
Depreciation	7,313	7,543	7,058
Amortization	7,263	7,981	7,874
Restricted stock expense	1,233	1,316	1,266
Stock-based compensation expense	257	181	-
Impairment loss on intangible asset	180	-	-
Impairment loss on asset available for resale	193	-	-
Loss on sale of property and equipment	53	52	64
Tax benefit of restricted stock vested	119	178	353
Tax benefit of restricted stock forfeited	3	-	-
Deferred income taxes	1,411	964	1,806
Changes in operating assets and liabilities, net of acquisitions			
Accounts receivable	265	(3,998)	(647)
Income tax receivable	(2,455)	259	1,647
Prepaid expenses and other current assets	96	(5,269)	(637)
Other assets	(2,224)	308	617
Accounts payable and accrued expenses	(2,910)	234	(3,458)
Deferred revenue	(167)	139	(759)
Other liabilities	81	81	79
Net cash from operating activities	38,550	36,625	41,102
Cash flows from investing activities			
Proceeds from sale of property and equipment	389	9	46
Purchase of property and equipment	(5,766)	(7,794)	(10,565)
Purchase of software and software licenses	(6,030)	(5,636)	(10,506)
Purchase of intangibles	-	(198)	-
Net cash from investing activities	(11,407)	(13,619)	(21,025)
Cash flows from financing activities			
Proceeds from issuance of long-term debt	9,000	35,500	9,000
Payments on long-term debt	(9,007)	(35,560)	(9,155)
Payments of dividends	(10,769)	(8,685)	(22,498)
Purchase of common stock	(5,277)	(13,242)	(5,068)
Redemption of common stock	(319)	(440)	(535)
Proceeds from the exercise of stock options, net	-	-	164
Net cash from financing activities	(16,372)	(22,427)	(28,092)
Net change in cash and cash equivalents	10,771	579	(8,015)
Cash and cash equivalents, beginning of year	1,078	499	8,514
Cash and cash equivalents, end of year	\$ 11,849	\$ 1,078	\$ 499

\* See accompanying notes to consolidated financial statements.

# Notes

## to Consolidated Financial Statements

(in thousands, except share and per share data)

### NOTE 1. NATURE OF BUSINESS

Computer Services, Inc., including its subsidiaries, ("CSI" or the "Company") delivers core processing, managed services, mobile and Internet solutions, payments processing, print and electronic distribution, and regulatory compliance solutions to financial institutions and corporate entities across the nation. Technology planning, personal account management and exceptional customer service are what CSI believes have established its reputation as one of the nation's premier providers of technology solutions for the financial services industry. In addition to core processing, the Company's integrated banking solutions include check imaging; cash management; branch and merchant capture; mobile and Internet banking; print and mail, and online document delivery services; corporate intranets; secure Web hosting; e-messaging; teller and platform services; ATM and debit card service and support; payments solutions; risk assessment; network management; cloud-based managed services; and compliance software and services for regulatory compliance, homeland security and fraud prevention.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation:** The consolidated financial statements include the accounts of CSI. Intercompany accounts and transactions have been eliminated in consolidation.

**Use of Estimates in the Preparation of Financial Statements:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include deferred income taxes and the carrying value of goodwill.

**Cash Equivalents:** Cash equivalents consist of primarily highly liquid investments with original maturities of 90 days or less.

**Accounts Receivable:** Accounts receivable consist primarily of amounts due from bank customers for data processing services. Interest is not charged on receivables. Management establishes a reserve for losses on its accounts based on historic loss experience and current economic conditions. Losses are charged off to the reserve when management deems further collection efforts will not produce additional recoveries. At February 28, 2015 and 2014, an allowance for doubtful accounts of \$63 and \$105, respectively, had been recorded.

**Property and Equipment:** At February 28, 2015 and 2014, property and equipment consisted of:

	2015	2014
Land	\$ 1,716	\$ 1,716
Buildings and improvements	27,325	26,860
Equipment	55,941	56,382
Construction-in-progress	-	400
	<b>84,982</b>	85,358
Less accumulated depreciation	<b>51,903</b>	50,106
Balance, end of year	<b>\$ 33,079</b>	\$ 35,252

**Depreciation:** Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Useful lives for buildings are 40 years, and useful lives for equipment range from three to ten years.

**Software and Software Licenses and Related Amortization:** Software and software licenses include the capitalization of certain costs incurred to develop new software or to enhance existing software that is primarily utilized by the Company to process customer transactions, software acquired in business acquisitions and licenses that are purchased from third parties. Software and software licenses are amortized using the straight-line method over three to ten years or the life of the licenses. Total amortization expense for the years ended February 28, 2015, 2014 and 2013 was \$6,243, \$6,673 and \$6,605, respectively.

**Long-Term Assets:** Property and equipment, intangible assets subject to amortization and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value. No impairment has been recognized during the periods presented by these annual financial statements. Property and equipment, software and other assets acquired through accounts payable and accrued expenses during the years ended February 28, 2015, 2014 and 2013 were \$77, \$223 and \$120, respectively.

**Deferred Commissions:** Deferred commissions are the incremental costs that are directly associated with non-cancelable contracts with customers and consist of sales commissions paid to the Company's sales force. The commissions are deferred and amortized over the terms of the related customer contracts, which are typically 36 to 120 months, and recorded in other assets on the accompanying consolidated balance sheets. The Company believes this is the preferable method of accounting as the commission charges are so closely related to the revenue from the non-cancelable customer contracts that they should be recorded as an asset and charged to expense over the same period that the revenue is recognized. Amortization of deferred commissions is included in operating expense on the accompanying consolidated statements of income.

**Goodwill and Other Intangible Assets:** The Company records as goodwill the excess of the purchase price over the fair value of identifiable net assets acquired. Goodwill acquired in a purchase business combination is not amortized, but instead reviewed for impairment at least annually, as well as when an event-triggering impairment may have occurred. The impairment determination for goodwill is made using a two-step process by comparing the carrying value of the reporting unit to its fair value. The first step tests for impairment, while the second step, if necessary, measures the impairment. An impairment loss is recognized to the extent that the carrying amount exceeds its implied fair value. The Company has elected to perform its annual analysis as of the end of each fiscal year. No impairment was identified for the years ended February 28, 2015, 2014 and 2013.

There was no change in the carrying amount of goodwill for the year ended February 28, 2015.

Intangible assets not subject to amortization primarily consist of governmental licenses to operate a competitive local exchange carrier. Intangible assets not subject to amortization totaled \$190 and \$370 at February 28, 2015 and 2014, respectively. During the year ended February 28, 2015. The Company recorded an impairment of \$180.

Other intangible assets primarily consist of customer relationships, non-compete agreements, patents, trade names and developed technology arising from acquisitions. The intangibles are amortized on a straight-line method over three to 16 years.

The carrying amount of intangibles subject to amortization at February 28, 2015 and 2014 is as follows:

	2015	2014
Customer relationships	\$ 11,206	\$ 11,206
Non-compete agreements	1,700	1,700
Patents	427	427
Trade name	530	530
Developed technology	370	370
Other	216	216
	<b>14,449</b>	<b>14,449</b>
Less accumulated amortization	<b>7,575</b>	<b>6,555</b>
Balance, end of year	<b>\$ 6,874</b>	<b>\$ 7,894</b>

Total amortization expense for the years ended February 28, 2015, 2014 and 2013 was \$1,020, \$1,308 and \$1,269, respectively.

The estimated annual future amortization expense for each of the next five years, and the estimated aggregate expense thereafter, for all intangible assets remaining at February 28, 2015 are as follows:

Year ending February 28 and 29,	Amount
2016	\$ 674
2017	624
2018	609
2019	580
2020	580
Thereafter	3,807
<b>Total</b>	<b>\$ 6,874</b>

**Earnings Per Common Share:** Basic earnings per common share is based on net income available to common shareholders divided by the weighted average number of common shares considered to be outstanding during the period. The weighted average number of common shares outstanding was 14,160,707, 14,440,668 and 14,695,122 for the years ended February 28, 2015, 2014 and 2013, respectively. Diluted earnings per common share shows the dilutive effect of any additional potential common shares issuable under stock options. There were no dilutive shares for the years ended February 28, 2015 and 2014. Incremental dilutive shares, calculated using the treasury stock method, were 26,500 for the year ended February 28, 2013.

**Income Taxes:** Deferred income taxes are provided using the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, some portion or all of the deferred tax assets will, more likely than not, not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates on the date of enactment.

When tax returns are filed, some positions taken are highly likely to be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be sustained ultimately. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes the position will, more likely than not, be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for the years before 2010.

Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes on the accompanying consolidated statements of income.



**Revenue Recognition and Deferred Revenue:** The Company generates revenue through the sale of data processing services, equipment and supplies, maintenance contracts, software, eBusiness services and other service products. The Company enters into data processing contracts with its customers primarily of one to ten years in length. Revenues are recognized as services are provided on these contracts. Each standard contract contains an early contract termination clause that allows the Company to collect a percentage of the anticipated revenues that would have been earned during the remaining contract term as liquidated damages if the customer terminates the Company's services prior to the end of the contract term. Revenues from early contract termination fees are recognized in the period received. Total early contract termination fees recorded as a component of processing revenues in the consolidated financial statements for the years ended February 28, 2015, 2014 and 2013 were \$3,046, \$3,174 and \$563, respectively. Total early contract termination fees recorded as a component of other revenues in the consolidated financial statements for the years ended February 28, 2015, 2014 and 2013 were \$162, \$62 and \$64, respectively. The Company recognizes product revenue, such as software license sales, which represent less than 5% of total revenue, when written contracts are signed, delivery of the product has occurred, the fee is fixed or determinable and collection is reasonably assured.

Deferred revenue consists primarily of payments received from customers for annual software licenses and software maintenance agreements. These revenues are recognized on a straight-line method over a 12 to 60 month rolling basis as the revenue is earned.

The Company records revenue under certain contracts for postage and telecommunications net of the related expenses. The Company provides these services as a convenience to its customers and provides these services at the Company's cost. The total pass-through revenues for the years ended February 28, 2015, 2014 and 2013 were \$47,313, \$44,933 and \$47,588, respectively.

**Fair Value of Financial Instruments:** The fair value approximates the carrying value for all financial instruments.

**Concentration of Credit Risk:** The Company maintains cash balances at several financial institutions in excess of the insurance limits provided by the Federal Deposit Insurance Corporation. The Company has not experienced any losses and does not believe it is exposed to any significant credit risk with respect to these cash deposits.

**Recent Accounting Pronouncements:** In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, which is the principle in the current guidance. The Company will also need to apply the new guidance to determine whether revenue should be recognized over time or at a point in time. This standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2016, with no early adoption permitted, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Company has not yet selected a transition method and is currently evaluating the impact of the issuance of ASU 2014-09 and the Company's election of a reporting method on its consolidated financial statements beginning in 2018.

### NOTE 3. LAND AVAILABLE FOR RESALE

The cost of land available for resale of \$1,347 and \$1,540 at February 28, 2015 and 2014, respectively, primarily represents costs incurred during the development of an office park in Paducah, Kentucky. These costs are allocated to each lot based upon each lot's proportionate share of salable acreage. The project is substantially complete and any future associated costs will not be material. Company recorded impairment during the year ended February 28, 2015 to reduce land available for resale to its estimated fair value less estimated selling costs. Management determined the fair value for assets available for resale with the

assistance of an independent appraiser. At February 28, 2015 and 2014, land available for resale is included in other assets on the accompanying consolidated balance sheets.

#### NOTE 4. INCOME TAXES

The provision for income taxes was as follows for the years ended February 28, 2015, 2014 and 2013:

	2015	2014	2013
Current			
Federal	\$ 13,916	\$ 14,094	\$ 12,107
State	2,660	2,345	2,093
Deferred	1,411	964	1,806
Total	\$ 17,987	\$ 17,403	\$ 16,006

The effective tax rates were 39.25%, 39.50% and 38.25% for the years ended February 28, 2015, 2014 and 2013, respectively. These effective tax rates differed from the statutory federal tax rate of 35% due primarily to deductions related to the recharacterization of expense with respect to various stock option exercises, in addition to state income taxes. Cash paid for income taxes during the years ended February 28, 2015, 2014 and 2013 was \$18,910, \$16,002 and \$12,200, respectively.

Deferred tax assets and (liabilities) consisted of the following at February 28, 2015 and 2014:

	2015	2014
Current deferred tax assets	\$ (193)	\$ 282
Non-current deferred tax liabilities	(15,354)	(14,418)
Total	\$ (15,547)	\$ (14,136)

	2015	2014
Deferred tax assets		
Accrued expenses	\$ 1,188	\$ 1,559
Net operating loss carryforwards acquired	561	637
Deferred tax liabilities		
Property and equipment	(6,385)	(7,170)
Goodwill and intangible assets	(4,743)	(4,763)
Prepaid expenses	(1,358)	(1,260)
Other	(4,810)	(3,139)
Total	\$ (15,547)	\$ (14,136)

Loss carryforwards for tax purposes at February 28, 2015 of \$1,421 expire July 2026.

## **NOTE 5. NOTES PAYABLE**

The Company has a \$25,000 commercial revolving line of credit. Interest is payable monthly at one-month LIBOR plus 1.00% (1.17% and 1.16% at February 28, 2015 and 2014, respectively). The line of credit is unsecured and there were no outstanding borrowings on the line at February 28, 2015 and 2014. The line of credit expires January 2017.

The Company also has a \$5,000 commercial revolving line of credit. Interest is payable monthly at prime minus 1.30% (1.95% and 2.75% at February 28, 2015 and 2014). The line of credit is unsecured and there were no outstanding borrowings on the line at February 28, 2015 and 2014. The line of credit expires August 2015.

The Company is required to comply with certain covenants under the terms of its borrowing agreements. These provisions require the submission of certain certifications, prohibit certain transactions and require the Company to meet certain financial covenants.

Total interest expense for the years ended February 28, 2015, 2014 and 2013 was \$22, \$61 and \$49, respectively. Cash paid for interest expense during the years ended February 28, 2015, 2014 and 2013 was \$22, \$61 and \$49, respectively.

## **NOTE 6. COMMON AND RESTRICTED STOCK**

The Company has a shareholders' rights plan that granted to shareholders one preferred stock purchase right ("Right") for each outstanding share of the Company's common stock. Each Right entitles the purchase of one one-hundredth of a share of Series A Preferred stock at a price determined by, and under the conditions set forth in, the Amended and Restated Rights Agreement. Because the issuance of Rights may substantially dilute the stock ownership of a person or group attempting to take over the Company without the approval of the Company's Board of Directors, the Company's rights plan could make an acquisition of the Company (or a significant percentage of its outstanding capital stock) by a third party without first negotiating with the Board more difficult. The Rights expire on January 28, 2022, unless extended or reissued by the Board.

The Board of Directors has authorized the Company to repurchase shares of its common stock. Under this authorization, the Company may finance its share repurchases with available cash or borrowings under its existing credit facilities. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. The Company's Board of Directors authorized the repurchase of an additional \$5,000 of the Company's common stock in both June and September 2013. At February 28, 2014, the Company had the authority to repurchase up to \$934 of additional shares. The Company's Board of Directors authorized the repurchase of an additional \$5,000 of the Company's common stock in both April and July 2014. At February 28, 2015, the Company had the authority to repurchase up to \$5,657 of additional shares.

In June 2013, the Company authorized the issuance of common stock to the Company's Board of Directors for services performed. Compensation expense recognized for common stock issued for services provided by the Board of Directors was \$257 and \$181 for the years ended February 28, 2015 and 2014, respectively.

In June 2004, the Company authorized the issuance of restricted stock to certain key employees under the Computer Services, Inc. Restricted Stock Plan. The shares vest ratably in four equal installments beginning one year from the date of the grant. During the vesting period, the participants have voting rights and receive dividends, but the shares may not be sold, assigned, transferred, pledged or otherwise encumbered. Additionally, granted but unvested shares are forfeited upon termination of employment, unless certain criteria are met.

The fair value of the restricted shares on the date of the grant is amortized ratably over the vesting period. Unearned compensation initially recorded based on the market value of the shares on the date of grant is being amortized over four years. The unamortized balance of unearned compensation on restricted stock is included in shareholders' equity on the accompanying consolidated balance sheets.

The following is a summary of changes in unearned compensation on restricted stock at February 28:

	2015	2014	2013
Balance, beginning of year	\$ 2,775	\$ 2,920	\$ 3,105
Grant of restricted stock			
May 11, 2012	-	-	986
July 15, 2012	-	-	112
May 15, 2013	-	1,121	-
February 3, 2014	-	50	-
May 12, 2014	1,256	-	-
Restricted stock vested	(1,233)	(1,316)	(1,266)
Restricted stock forfeited	(73)	-	(17)
Balance, end of year	\$ 2,725	\$ 2,775	\$ 2,920

The following is a summary of changes in unvested shares of restricted stock at February 28:

	2015	2014	2013
Unvested balance, beginning of year	95,472	120,177	157,278
Granted	36,670	38,552	33,229
Vested	(44,589)	(63,257)	(69,810)
Forfeited	(2,180)	-	(520)
Unvested balance, end of year	85,373	95,472	120,177

Weighted average fair value:

Granted	\$ 34.25	\$ 30.38	\$ 33.03
Vested	27.66	20.80	18.13
Forfeited	33.21	-	33.40

Compensation expense recognized under the Computer Services, Inc. Restricted Stock Plan was \$1,233, \$1,316 and \$1,266 for the years ended February 28, 2015, 2014 and 2013, respectively.

## NOTE 7. STOCK OPTIONS

The Company no longer has an active stock option plan for employees. The Company's last plan expired as to grant authority on February 28, 2008. Under that plan, options for 1,498,786 shares of common stock were granted. At February 28, 2015 and 2014, no options remain exercisable under the plan.

## NOTE 8. EMPLOYEE BENEFITS

The Company maintains a qualified defined contribution plan that covers substantially all employees. Contributions to the plan are funded annually and totaled \$6,225, \$5,370 and \$5,075 for the years ended February 28, 2015, 2014 and 2013, respectively.

Other long-term liabilities include deferred executive compensation of \$713 and \$633 at February 28, 2015 and 2014, respectively.

## NOTE 9. SELF-INSURANCE

The Company generally self-insures its risks for employee health insurance. The Company carries stop loss policies for specific losses in excess of \$150 per individual per year for health coverage. Claims are expensed as incurred. In establishing accruals for claims incurred and reported and estimates for claims incurred but not yet reported, the Company uses factors such as historical experience, known trends, and third-party administrator estimates to determine the appropriate amounts to report as accrued liabilities. Amounts charged to expense for self-insured employee health insurance programs totaled \$7,421, \$5,977 and \$4,579 for the years ended February 28, 2015, 2014 and 2013, respectively.

## NOTE 10. COMMITMENTS

The Company's operations include non-cancelable operating leases relating principally to office space and vehicles.

At February 28, 2015, the Company was committed under lease agreements for approximate annual rental payments as follows:

Year ending February 28 and 29,	Amount
2016	\$ 2,611
2017	2,228
2018	1,901
2019	1,220
2020	432
Thereafter	354
Total	\$ 8,746

Rent expense under operating leases was \$2,719, \$3,396 and \$3,069 for the years ended February 28, 2015, 2014 and 2013, respectively.

## NOTE 11. CONTINGENCIES

The Company may, from time to time, be the defendant in certain litigation arising in the ordinary course of business. In the opinion of management and outside legal counsel, any currently pending or threatened litigation involving the Company is adequately covered by insurance or the ultimate outcome will not have a material impact on the financial position or results of operations of the Company.

## NOTE 12. SUBSEQUENT EVENTS

All of the effects of subsequent events that provide additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements, are recognized in the financial statements. The Company does not recognize subsequent events that provide evidence about conditions that did not exist at the balance sheet date but arose after, but before the financial statements are available to be issued. In some cases, nonrecognized subsequent events are disclosed to keep the financial statements from being misleading. The Company has evaluated events through April 28, 2015, the date the financial statements were available to be issued.

On March 4, 2015, the Company's Board of Directors declared a cash dividend of 22 cents per share payable to shareholders of record at the close of business on March 16, 2015. This dividend was paid on March 31, 2015 in the aggregate amount of \$3,104.

In March 2015, the Company's Board of Directors declared a cash dividend of 22 cents per share, or approximately \$3,112 in the aggregate, payable on June 25, 2015 to shareholders of record at the close of business on June 2, 2015.

In conjunction with certain agreements entered into during March 2015, the Company has non-cancellable commitments to purchase approximately \$11,000 in software licenses and equipment.

## QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(in thousands, except per share data)

	Quarter				Total
	First	Second	Third	Fourth	
<b>2015</b>					
Revenues	\$ 54,570	\$ 55,607	\$ 55,948	\$ 55,260	\$ 221,385
Operating expenses	44,075	42,975	44,016	44,502	175,568
Operating income	10,495	12,632	11,932	10,758	45,817
Interest income (expense)	-	5	4	-	9
Income before income taxes	10,495	12,637	11,936	10,758	45,826
Provision for income taxes	4,172	5,023	4,745	4,047	17,987
Net income	\$ 6,323	\$ 7,614	\$ 7,191	\$ 6,711	\$ 27,839
Earnings per common share, basic	\$ 0.44	\$ 0.54	\$ 0.51	\$ 0.48	\$ 1.97
Earnings per common share, diluted	0.44	0.54	0.51	0.48	1.97
<b>Market Price</b>					
High	\$ 35.60	\$ 37.50	\$ 43.00	\$ 41.00	
Low	33.00	33.30	35.75	37.35	
Close	34.75	36.20	40.95	40.55	
<b>2014</b>					
Revenues	\$ 51,720	\$ 54,030	\$ 53,050	\$ 54,114	\$ 212,914
Operating expenses	41,729	43,311	41,973	41,808	168,821
Operating income	9,991	10,719	11,077	12,306	44,093
Interest income (expense)	(12)	(11)	(7)	(4)	(34)
Income before income taxes	9,979	10,708	11,070	12,302	44,059
Provision for income taxes	3,942	4,229	4,373	4,859	17,403
Net income	\$ 6,037	\$ 6,479	\$ 6,697	\$ 7,443	\$ 26,656
Earnings per common share, basic	\$ 0.41	\$ 0.45	\$ 0.47	\$ 0.52	\$ 1.85
Earnings per common share, diluted	0.41	0.45	0.47	0.52	1.85
<b>Market Price</b>					
High	\$ 30.34	\$ 31.24	\$ 34.00	\$ 34.10	
Low	28.60	29.13	30.25	30.84	
Close	29.31	30.45	33.60	33.25	
<b>2013</b>					
Revenues	\$ 47,963	\$ 48,640	\$ 49,563	\$ 52,090	\$ 198,256
Operating expenses	38,457	38,807	38,924	40,207	156,395
Operating income	9,506	9,833	10,639	11,883	41,861
Interest income (expense)	(2)	(8)	8	(14)	(16)
Income before income taxes	9,504	9,825	10,647	11,869	41,845
Provision for income taxes	3,635	3,759	4,072	4,540	16,006
Net income	\$ 5,869	\$ 6,066	\$ 6,575	\$ 7,329	\$ 25,839
Earnings per common share, basic	\$ 0.40	\$ 0.41	\$ 0.45	\$ 0.50	\$ 1.76
Earnings per common share, diluted	0.40	0.41	0.45	0.50	1.76
<b>Market Price</b>					
High	\$ 33.75	\$ 32.50	\$ 33.00	\$ 31.45	
Low	31.25	29.75	27.00	27.89	
Close	32.50	30.75	29.99	29.69	

# INVESTOR INFORMATION

## Annual Shareholders Meeting

CSI Corporate Headquarters  
3901 Technology Drive  
Paducah, Kentucky 42001-5201  
Tuesday, June 30, 2015  
9:00 a.m. CDT  
Join the live webcast at [www.csiweb.com](http://www.csiweb.com).

## Shareholder Inquiries

Communications regarding stock holdings, stock certificates, dividend payments, changes of address, consolidation of accounts, transfers of ownership or other stock matters may be directed to Computershare Limited.

## Transfer Agent

Computershare Limited

## Mail correspondence:

Computershare Limited  
P.O. Box 30170  
College Station, Texas 77842-3170

## Overnight correspondence:

Computershare Limited  
211 Quality Circle, Suite 210  
College Station, Texas 77845-4470

**Telephone:** (888) 522-6645

**TTD for Hearing impaired:** (800) 231-5469

## Shareholder website:

<https://www-us.computershare.com/Investor/>

**Shareholder online inquiries:** <https://www-us.computershare.com/Investor/Contact>

## Investor Relations

The Computer Services, Inc. annual report, quarterly reports, press releases and current stock price information are available on the Company's website at [www.csiweb.com](http://www.csiweb.com). Visitors to our website may use the email updates option to automatically receive electronic notification of company announcements. Prospective investors, securities analysts, portfolio managers and representatives of financial institutions seeking these reports or other information regarding the Company may contact:

David L. Simon, Treasurer & CFO  
Computer Services, Inc.  
3901 Technology Drive  
Paducah, KY 42001-5201  
Telephone: 270.442.7361, ext. 10126  
Fax: 270.575.6716  
Email: [dsimon@csiweb.com](mailto:dsimon@csiweb.com)

## Common Stock

Computer Services, Inc. has approximately 4,097 shareholders based on an estimate of the number of individual participants represented by security position listings and the number of record holders of the Company's common stock. The Company's common stock is traded on the Premier QX tier of the OTC Markets ([www.otcqx.com](http://www.otcqx.com)) under the symbol CSVI. Quarterly dividends on Computer Services, Inc. common stock, when declared by the Board of Directors, are paid on or about March 31, June 25, September 25, and December 26. The Company does not currently offer a dividend reinvestment program.

# LEADERSHIP

## Executive Officers

### **STEVEN A. POWLESS**

CEO

### **R. STANLEY ECKENBERG**

President and COO

### **DAVID L. SIMON**

Treasurer and CFO

## Board of Directors

### **JOHN A. WILLIAMS**

Chairman, Board of Directors  
Member, Executive Committee

### **STEVEN A. POWLESS**

CEO, Computer Services, Inc.

### **RICHARD A. ANDERSON**

County Manager, Fulton County, Georgia  
Former COO of the Federal Reserve  
and Vice Chairman of BellSouth  
Strategic Planning Advisor

### **BASIL N. DROSSOS**

Retired General Motors Executive  
Member, Audit Committee  
Member, Profit Sharing Committee

### **BRUCE R. GALL**

Chairman and CEO, Fed Reporter, Inc.  
CEO, Dornoch Management Corporation  
Chairman, Profit Sharing Committee

### **TERRANCE P. HAAS**

CEO, Harvard Drug Group  
Member, Audit Committee

### **DAVID M. PAXTON**

President and CEO, Paxton Media Group  
Chairman, Executive Committee  
Chairman, Compensation Committee

### **DR. LINDA JOHNSON VITALE**

Partner, Manchester Capital  
Former Professor and Chair,  
Information Systems  
Gordon Ford College of Business,  
Western Kentucky University  
Chairwoman, Audit Committee

### **ROBERT L. WALKER**

Senior Vice President and CFO,  
Western and Southern Financial Group  
Member, Executive Committee  
Member, Compensation Committee

### **TAMMY D. SOUDER**

Vice President and Secretary  
Computer Services, Inc.  
Secretary to the Board





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