

COMFORT SYSTEMS USA INC
Form 10-Q/A
November 13, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
FORM 10-Q/A**

(Amendment No. 1)

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

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: 1-13011

COMFORT SYSTEMS USA, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation or organization)

76-0526487
(I.R.S. Employer
Identification No.)

**777 Post Oak Boulevard
Suite 500
Houston, Texas 77056**

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (713) 830-9600

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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

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to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

The number of shares outstanding of the issuer's common stock, as of May 1, 2006 was 40,273,208.

Explanatory Note

This Amendment No. 1 to Form 10-Q for the period ended March 31, 2006 is being filed to provide a revision to Part I, Item 4. *Controls and Procedures*. The revision includes a statement that our internal controls were evaluated as of the end of the fiscal quarter as required by Rules 13a-15(b) of the Securities Exchange Act of 1934. Additionally, Part II, Item 6. *Exhibits*, of this Amendment has been revised to contain currently-dated certifications from our Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. No other information in this filing has been updated for events or information subsequent to the date of filing of the original Form 10-Q.

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FOR THE QUARTER ENDED MARCH 31, 2006

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COMFORT SYSTEMS USA, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Amounts)

	December 31, 2005	March 31, 2006 (Unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 55,593	\$ 58,361
Accounts receivable, less allowance for doubtful accounts of \$3,744 and \$3,692, respectively	197,121	206,410
Receivable from sale of operations	23,800	
Other receivables	5,791	5,014
Inventories	8,107	8,276
Costs and estimated earnings in excess of billings	22,992	25,249
Prepaid expenses and other	11,489	11,680
Assets related to discontinued operations	506	469
Total current assets	325,399	315,459
PROPERTY AND EQUIPMENT, net	12,844	13,547
GOODWILL	62,954	62,954
OTHER NONCURRENT ASSETS	7,486	7,180
Total assets	\$ 408,683	\$ 399,140
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$	\$
Accounts payable	72,154	67,945
Accrued compensation and benefits	29,814	22,782
Billings in excess of costs and estimated earnings	53,440	57,150
Accrued self insurance expense	17,388	17,882
Income taxes payable	7,615	1,051
Other current liabilities	14,686	13,736
Liabilities related to discontinued operations	63	62
Total current liabilities	195,160	180,608
LONG-TERM DEBT, NET OF CURRENT MATURITIES		
Total liabilities	195,160	180,608
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY:		
Preferred stock, \$.01 par, 5,000,000 shares authorized, none issued and outstanding		
Common stock, \$.01 par, 102,969,912 shares authorized, 39,979,867 and 40,259,105 shares issued, respectively	400	403
Treasury stock, at cost, zero and 25,622 shares, respectively		(316)
Additional paid-in capital	340,264	340,124
Deferred compensation	(1,135)	
Retained earnings (deficit)	(126,006)	(121,679)
Total stockholders equity	213,523	218,532
Total liabilities and stockholders equity	\$ 408,683	\$ 399,140

The accompanying notes are an integral part of these consolidated financial statements.

COMFORT SYSTEMS USA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended	
	March 31,	
	2005	2006
REVENUES	\$ 195,260	\$ 237,854
COST OF SERVICES	167,884	201,010
Gross profit	27,376	36,844
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	26,119	30,134
GAIN ON SALE OF ASSETS	(29)	(16)
Operating income	1,286	6,726
OTHER INCOME (EXPENSE):		
Interest income	128	647
Interest expense	(375)	(155)
Other	10	19
Other income (expense)	(237)	511
INCOME BEFORE INCOME TAXES	1,049	7,237
INCOME TAX EXPENSE	497	2,910
INCOME FROM CONTINUING OPERATIONS	552	4,327
DISCONTINUED OPERATIONS:		
Operating loss, net of income tax expense of \$8	(23)	
NET INCOME	\$ 529	\$ 4,327
INCOME PER SHARE:		
Basic		
Income from continuing operations	\$ 0.01	\$ 0.11
Discontinued operations		
Loss from operations		
Net income	\$ 0.01	\$ 0.11
Diluted		
Income from continuing operations	\$ 0.01	\$ 0.11
Discontinued operations		
Loss from operations		
Net income	\$ 0.01	\$ 0.11
SHARES USED IN COMPUTING INCOME PER SHARE:		
Basic	38,990	39,857
Diluted	40,062	40,862

The accompanying notes are an integral part of these consolidated financial statements.

COMFORT SYSTEMS USA, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
(In Thousands, Except Share Amounts)

	Common Stock		Treasury Stock		Additional	Deferred	Retained	Total
	Shares	Amount	Shares	Amount	Paid-In	Compensation	Earnings	Stockholders
					Capital		(Deficit)	Equity
BALANCE AT DECEMBER 31, 2004	39,258,913	\$ 393	(24,462)	\$ (148)	\$ 337,719	\$ (1,587)	\$ (119,780)	\$ 216,597
Issuance of Stock:								
Issuance of shares for options exercised including tax benefit	650,954	6	114,959	835	2,987			3,828
Issuance of restricted stock	82,500	1			574	(575)		
Shares received in lieu of tax withholding payment on vested restricted stock			(40,797)	(318)				(318)
Forfeiture of unvested restricted stock	(12,500)		(50,000)	(372)	(74)	360		(86)
Dividends					(999)			(999)
Amortization of deferred compensation					60	667		727
Other			300	3	(3)			
Net loss							(6,226)	(6,226)
BALANCE AT DECEMBER 31, 2005	39,979,867	400			340,264	(1,135)	(126,006)	213,523
Issuance of Stock:								
Issuance of shares for options exercised including tax benefit (unaudited)	279,238	3			1,858			1,861
Shares received in lieu of tax withholding payment on vested restricted stock (unaudited)			(20,622)	(254)				(254)
FAS 123 (R) adoption (unaudited)					(1,135)	1,135		
Stock-based compensation expense, including tax benefit (unaudited)					490			490
Forfeiture of unvested restricted stock (unaudited)			(5,000)	(62)	51			(11)
Dividends (unaudited)					(1,404)			(1,404)
Net income (unaudited)							4,327	4,327
BALANCE AT MARCH 31, 2006 (UNAUDITED)	40,259,105	\$ 403	(25,622)	\$ (316)	\$ 340,124	\$	\$ (121,679)	\$ 218,532