

VULCAN MATERIALS CO
Form 11-K
June 29, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

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

For the Fiscal Year Ended December 31, 2004

Commission file number: 1-4033

VULCAN MATERIALS COMPANY
CHEMICALS DIVISION HOURLY EMPLOYEES SAVINGS PLAN
(full title of the plan)

VULCAN MATERIALS COMPANY

(Name of issuer of the securities held pursuant to the plan)

1200 Urban Center Drive
Birmingham, Alabama 35242

(Address of issuer's principal executive offices and address of the plan)

Vulcan Materials Company
Chemicals Division Hourly Employees Savings Plan
Financial Statements as of December 31, 2004 and 2003 and
for the Year Ended December 31, 2004,
Supplemental Schedule as of December 31, 2004,
and Report of Independent Registered Public Accounting Firm

**VULCAN MATERIALS COMPANY CHEMICALS DIVISION HOURLY
EMPLOYEE SAVINGS PLAN**

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SUPPLEMENTAL SCHEDULE:

Form 5500, Schedule H, Part IV, Line 4i-Schedule of Assets (Held at End of Year)
as of December 31, 2004

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All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Administrative Committee
Vulcan Materials Company
Chemicals Division Hourly Employees Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Vulcan Materials Company Chemicals Division Hourly Employees Savings Plan (the "Plan") as of December 31, 2004 and 2003, and the related statement of changes in net assets available for benefits for the year ended December 31, 2004. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2004 and 2003, and the changes in net assets available for benefits for the year ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2004 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2004 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

DELOITTE & TOUCHE LLP

Birmingham, Alabama
June 27, 2005

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VULCAN MATERIALS COMPANY

CHEMICALS DIVISION HOURLY EMPLOYEES SAVINGS PLAN

**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2004 AND 2003**

ASSETS	2004	2003
INTEREST IN MASTER TRUST:		
Investments	\$ 38,782,055	\$ 36,046,036
Participant loans	<u>1,836,535</u>	<u>1,853,556</u>
Total interest in master trust	<u>40,618,590</u>	<u>37,899,592</u>
EMPLOYEE CONTRIBUTIONS RECEIVABLE	37,456	-
EMPLOYER CONTRIBUTIONS RECEIVABLE	<u>88,968</u>	<u>54,136</u>
Total receivables	<u>126,424</u>	<u>54,136</u>
NET ASSETS AVAILABLE FOR BENEFITS	\$ 40,745,014	\$ 37,953,728

See notes to financial statements.

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VULCAN MATERIALS COMPANY

CHEMICALS DIVISION HOURLY EMPLOYEES SAVINGS PLAN

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2004**

ADDITIONS TO NET ASSETS ATTRIBUTED TO:

Investment income from interest in master trust	\$ 3,942,514
Participant loan interest income	100,280
Contributions:	
Employee	1,896,605
Employer	<u>768,107</u>
Total contributions	<u>2,664,712</u>
TOTAL ADDITIONS TO NET ASSETS	<u>6,707,506</u>

DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:

Withdrawals by participants	3,841,036
Transfer of participants' investment account to other Vulcan Materials Company plans (Note 1)	<u>75,184</u>
	<u>3,916,220</u>
TOTAL DEDUCTIONS FROM NET ASSETS	2,791,286

NET INCREASE

NET ASSETS AVAILABLE FOR BENEFITS:	<u>37,953,728</u>
Beginning of year	
End of year	\$ 40,745,014

See notes to financial statements.

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VULCAN MATERIALS COMPANY
CHEMICALS DIVISION HOURLY EMPLOYEES SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2004 AND 2003 AND FOR THE YEAR ENDED DECEMBER 31, 2004

1. DESCRIPTION OF THE PLAN

General-The Vulcan Materials Company (the "Company") Chemicals Division Hourly Employees Savings Plan (the "Plan"), is a defined contribution employee benefit plan established effective January 1, 1972, and most recently restated effective July 1, 2003 to designate a portion of the Plan consisting of the Company's common stock fund as an Employee Stock Ownership Plan ("ESOP"). The ESOP fund allows a participant to elect to have the dividends on the Company's common stock reinvested in the Company's common stock or paid to the participant in cash. The purpose of the Plan is to provide for accumulation of savings for qualifying hourly paid employees of the Chemicals Division of the

Company who are represented by collective bargaining units, which have specifically adopted the Plan.

A participant may transfer between the Company's divisions. In these instances, the net assets of the participant's account will be transferred between the other defined contribution employee benefit plans that participate in the Vulcan Materials Company Retirement Savings Trust (the "Master Trust").

All assets of the Plan are held by the Northern Trust Company of Chicago, Illinois (the "Trustee"). The Company pays the administrative costs of the Plan, including the Trustee's fees and charges. Hewitt Associates, LLC (the "Recordkeeper") is the recordkeeper for the Plan.

Participation and Vesting-Chemicals division hourly employees with one year of service covered by a collective bargaining unit which has adopted the Plan, are eligible for participation. Participants are fully vested at all times.

Contributions-The Plan is funded through participants' and Company contributions. Participants contribute to the Plan through weekly payroll deductions at a rate dependent upon the participant's years of service. A participant may make weekly pretax contributions in multiples of \$1 up to a maximum weekly pretax contribution as stated in the Plan document for the participants' collective bargaining unit. Company contributions equal a percentage of participants' contributions, as defined in the Plan document and is based on the collective bargaining unit covering the participant. In addition to the pretax contributions, participants may make weekly aftertax contributions in multiples of \$1 up to a maximum as stated in the applicable Plan document for the participants' collective bargaining agreement. For three of the four bargaining units participating in the Plan, the Company also has the discretion to make additional matching contributions to the participant's account based on Company performance. These contributions totaled approximately \$72,000 and \$54,000 for the years ended December 31, 2004 and 2003, respectively. For participants over the age of 50, additional catch-up contributions may be made in the amount of \$3,000 and \$2,000 for the years ended December 31, 2004 and 2003, respectively.

Investment Options-Participants' contributions are invested in the 13 separate investment funds of the Plan in proportions elected by the participant. The Company's matching contributions are invested in the fund which invests primarily in the Company's common stock, and are nonparticipant-directed. See Note 4 for further information on nonparticipant-directed contributions.

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Allocation and Determination of Accounts-Separate accounts are maintained for each participant for matched, unmatched, and Company contributions and accumulated earnings thereon. Additionally, subaccounts are maintained for matched and unmatched accounts for the portion of each account that is attributable to pre-tax contributions and the portion attributable to after-tax contributions. Earnings (losses) are allocated to each participant's account daily in the ratio of the participant's account balance to total participants' account balances. Distributions and withdrawals are charged to participant accounts.

Distributions and Withdrawals-A participant's total account is distributed upon retirement, disability, death, or termination of employment unless the account value is greater than \$5,000, in which case the participant may defer distribution until age 70 1/2. As of December 31, 2004 and 2003, benefits of \$2,569,463 and \$1,780,480, respectively, were due to individuals who were separated from the Plan.

Prior to a termination of employment, a participant may withdraw any amount up to the value of his or

her entire account provided, however, that (1) no portion of an actively employed participant's pretax contribution account may be distributed to him or her before age 59½ unless the administrative committee approves a "hardship" withdrawal (as defined in the Plan) and (2) the preceding 24 months of matching contributions may not be withdrawn by an actively employed participant who has not been a participant in the Plan for at least 60 months.

Participant Loans-Participants covered by certain collective bargaining unit agreements may apply for up to three loans at any time. The amount of the loans cannot exceed the lesser of 50% of the participant's total account or \$50,000. If a loan is made, the participant shall execute a note payable to the Trustee in the amount of the loan and bearing interest at the Prime interest rate plus 1%. The average rate of interest on loans approximated 6.0% and 6.1% as of December 31, 2004 and 2003, respectively. A loan is considered an investment of the Plan. The participant's investment accounts will be reduced by the amount of the loan. Any repayment made will be allocated to the participant's investment accounts in accordance with his or her current investment direction. Loans must be repaid in bi-weekly installments through payroll deductions and must be repaid within 60 months.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

-The financial statements of the Plan have been prepared in accordance with accounting principles generally accepted in the United States of America.

Valuation of Investments and Income Recognition- The Plan's investment in the Master Trust represents its proportionate interest. The Plan's investment in the Master Trust is presented at an estimated fair value, which has been determined based on the underlying fair values of the assets of the Master Trust.

Investments, other than guaranteed investment contracts, are reported at fair value. Investments in securities traded on national and over-the-counter exchanges are valued at the closing bid price of the security as of the last day of the year. Guaranteed investment contracts are valued at contract value, which represents contributions made under the contract, plus earnings, less withdrawals and administrative expenses, because they are fully benefit responsive. There are no reserves against contract value for credit risks of the contract issuer or otherwise. The average yield and crediting interest rate was approximately 4.25% for 2004 and 2003.

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Loans to participants are valued at the outstanding loan balance. The average cost of securities sold or distributed is used to determine net investment gains or losses realized. Security transactions are recorded on the trade date. Distributions of common stock, if any, to participants are recorded at the market value of such stock at the time of distribution. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment manager fees are netted against Plan investment income. Expenses incurred in connection with the transfer of securities, such as brokerage commissions and transfer taxes, are added to the cost of such securities or deducted from the proceeds thereof.

Use of Estimates-The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein. Actual results

could differ from those estimates. The Master Trust invests in various securities, including U.S. government securities, guaranteed investment contracts, corporate debt instruments, and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Payment of Benefits- Benefits are recorded when paid.

3. INTEREST IN MASTER TRUST

The Plan's investment assets are held in a trust account by the Trustee. Use of the Master Trust permits the commingling of investment assets of a number of employee benefit plans of the participating companies. Each participating plan has an undivided interest in the Master Trust. Although assets of the plans are commingled in the Master Trust, the Recordkeeper maintains supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans. The net investment income or loss of the Master Trust is allocated by the Recordkeeper to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans.

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The fair value of investments of the Master Trust at December 31, 2004 and 2003 are summarized as follows:

	2004	2003
Commingled fund holding principally short-term fixed income investments	\$ 55,385,784	\$ 59,930,082
Interest-bearing cash	56,657,040	38,507,573
Guaranteed investment contracts	39,704,812	87,219,810
Fund holding principally venture capital and partnership investments	34,558,144	26,096,654
International equity investments	104,919,990	107,658,874
Domestic equity investments	184,799,590	113,041,238
U.S. government securities	65,461,039	66,993,828
Commingled funds holding principally common stock	99,681,190	85,040,720
Commingled funds holding principally international equity instruments	40,429,114	36,955,890
	292,597,161	269,938,820
	59,410,521	63,808,801
Vulcan Materials Company common stock *	<u>21,694,618</u>	<u>18,923,268</u>
Corporate debt investments	\$1,055,299,003	\$974,115,558
Other equities		
Percentage of Plan's investments in the Master Trust's investments	3.7%	3.7%

*Consists of both participant-directed and nonparticipant-directed contributions.

The total investment income of the Master Trust for the year ended December 31, 2004 is summarized as follows:

Interest-net	\$9,408,604
Dividends	6,454,266
Other	488,207
Net investment gains	<u>97,857,411</u>
Total	\$114,208,488

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4. NONPARTICIPANT-DIRECTED INVESTMENTS

Information about the net assets and the significant components of the changes in net assets relating to Vulcan Materials Company common stock, which includes both participant- and nonparticipant-directed investments, is as follows:

Net assets-beginning of year	<u>\$ 269,938,820</u>
Changes in net assets:	
Investment income	
Employer's contributions	44,120,402
Participants' contributions	8,887,550
Benefits paid to participants	7,584,042
Transfers to participant-directed	(17,245,665)
investments-net	<u>(20,687,988)</u>
Net change	<u>22,658,341</u>
Net assets-end of year	\$ 292,597,161

5. PLAN TERMINATION

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA.

6. FEDERAL INCOME TAX STATUS

The Internal Revenue Service has determined and informed the Company by a letter dated January 10, 2003 that the Plan and related trust were designed in accordance with the applicable regulations of the Internal Revenue Code. The Plan has been amended since receiving the determination letter; however, the Company and plan administrator believe that the Plan is currently designed and operated in compliance with the applicable requirements of the Internal Revenue Code and that the Plan and the related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in

the Plan's financial statements.

7. EXEMPT PARTY-IN-INTEREST TRANSACTIONS

At December 31, 2004 and 2003, the Master Trust held 5,267,666 and 5,532,758 shares, respectively, of common stock of Vulcan Materials Company, the sponsoring employer, with a cost basis of \$143,032,290 and \$136,430,142 respectively. During the year ended December 31, 2004, the Master Trust recorded dividend income of \$5,711,312 attributable to its investment in Vulcan Materials Company's common stock.

8. SUBSEQUENT EVENT

On June 7, 2005, the Company completed the sale of its chemicals division to a subsidiary of Occidental Chemical Corporation. Plan participants will be given the option to rollover their accounts into an Occidental Chemical Corporation plan, or exercise any other distribution option as allowed by the Plan.

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SUPPLEMENTAL SCHEDULE

(See Report of Independent Registered Public Accounting Firm)

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VULCAN MATERIALS COMPANY

CHEMICALS DIVISION HOURLY EMPLOYEES SAVINGS PLAN

FORM 5500, SCHEDULE H, PART IV, LINE 4i-SCHEDULE OF ASSETS (HELD AT END OF YEAR)

DECEMBER 31, 2004

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, and Par or Maturity Value	(d) Cost	(e) Current Value
*	Various Plan participants	Participant loans at interest rates of 5% to 10.5% maturing in 1 to 60 months	**	\$1,836,535

*

Party-in-interest.

**Cost information is not required for participant-directed investments and, therefore, is not included.

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