

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
THRIFT PLAN FOR SALARIED EMPLOYEES**
(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
Thrift Plan For Salaried Employees
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 THRIFT PLAN FOR SALARIED EMPLOYEES
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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
Thrift Plan for Salaried Employees

We have audited the accompanying statements of net assets available for benefits of the Vulcan Materials Company Thrift Plan for Salaried Employees (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
 THRIFT PLAN FOR SALARIED EMPLOYEES
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 DECEMBER 31, 2004 AND 2003

| ASSETS | 2004 | 2003 |
|-----------------------------------|--------------------|--------------------|
| INTEREST IN MASTER TRUST: | | |
| Investments | \$ 430,035,798 | \$ 399,864,116 |
| Participant loans | <u>9,043,776</u> | <u>9,282,904</u> |
| Total interest in master trust | <u>439,079,574</u> | <u>409,147,020</u> |
| EMPLOYER CONTRIBUTIONS RECEIVABLE | 1,777,675 | 1,242,512 |
| EMPLOYEE CONTRIBUTIONS RECEIVABLE | <u>708,170</u> | <u>808,412</u> |
| Total receivables | <u>2,485,845</u> | <u>2,050,924</u> |
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 441,565,419 | \$ 411,197,944 |

See notes to financial statements.

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VULCAN MATERIALS COMPANY
 THRIFT PLAN FOR SALARIED EMPLOYEES

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 | \$48,353,154 |
| Participant loan interest income | 494,070 |
| Contributions: | |
| Employee | 14,199,424 |
| Employer | <u>7,321,792</u> |
| Total contributions | <u>21,521,216</u> |
| Transfer of participants' investment account from other Vulcan Materials Company plans (Note 1) | <u>682,122</u> |
| TOTAL ADDITIONS TO NET ASSETS | <u>71,050,562</u> |
| DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO: | |
| Withdrawals by participants | <u>40,683,087</u> |

| | |
|------------------------------------|----------------------|
| NET INCREASE | 30,367,475 |
| NET ASSETS AVAILABLE FOR BENEFITS: | <u>411,197,944</u> |
| Beginning of year | |
| End of year | <u>\$441,565,419</u> |
| See notes to financial statements. | |

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VULCAN MATERIALS COMPANY
THRIFT PLAN FOR SALARIED EMPLOYEES

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 Thrift Plan for Salaried Employees (the "Plan"), a defined contribution employee benefit plan established effective January 1, 1965 and most recently restated effective January 1, 2002, provides for accumulation of savings, including ownership of common stock of Vulcan Materials Company (the "Company"), for salaried employees of the Company and its participating subsidiaries, Vulcan Gulf Coast Materials, Inc., RECO Transportation, LLC., Callaway Chemical Company, Vulcan Chemical Technologies, Inc., Vulcan Aggregates Co., LLC, Vulcan Construction Materials, LP, Vulcan Construction Materials, Inc., Vulcan Materials Finance Company, Tarmac Mid-Atlantic, Inc., Palomar Transit Mix, Inc., Azusa Rock, Inc., Triangle Rock Products, Inc., Reliance Transport Company, Western Environmental Contracting, CalMat Co., CalMat of New Mexico, and CalMat of Central California (collectively, the "Participating Companies") through voluntary payroll deductions and contributions by the Participating Companies.

The Company has designated a portion of the Plan consisting of the Vulcan Materials Company common stock fund as an Employee Stock Ownership Plan ("ESOP"). The ESOP fund allows a participant to elect to have the dividends on Vulcan Materials Company common stock reinvested in the Company's common stock or paid to the participant in cash.

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 - Generally, salaried employees qualify to participate on the first of the month following or coincident with one month of employment service. Participants are fully vested at all times.

Contributions - The Plan is funded through contributions by participants and the Participating Companies. The Plan provides for two types of employee contributions to the Plan: pay conversion contributions (pretax) and after-tax contributions. An employee may designate multiples of 1%, ranging from 1% to 35%, of earnings as either pay conversion contributions, after-tax contributions, or any combination of the two. Pay conversion contributions, which are subject to annual increases pursuant to federal regulations, are limited to a maximum dollar amount of \$13,000. Certain additional limits may be imposed on the amount of contributions by or on behalf of certain higher-paid employees. 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.

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Participating Companies expect to make matching contributions out of accumulated earnings and profits to match a portion of an employee's contribution (whether pretax, aftertax, or both) ranging from 0% to 100% of that contribution, not to exceed 4% of the employee's earnings. In addition to the contributions described above, each participating company may make an additional bonus matching contribution equal to a percentage of the after-tax contributions and pay conversion contributions on the last day of the Plan year, which in aggregate exceed 4% but do not exceed 6%, of the employee's earnings for the portion of the Plan year in which the employee was an eligible participant. These contributions totaled approximately \$1,524,000 and \$1,243,000 for the years ended December 31, 2004 and 2003, respectively.

Investment Options - Participant's contributions are invested in 14 separate investment funds and a select retirement account of the Plan in proportions elected by the participant. The Participating Companies' 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.

Allocations and Determination of Accounts - Separate accounts are maintained for each participant for matched, unmatched, and Participating Companies contributions and accumulated earnings thereon. Additionally, subaccounts are maintained for matched and unmatched accounts for the portion of each account that is attributable to pretax contributions and the portion attributable to after-tax contributions. Earnings (losses) are allocated daily to each participant's account 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 - Upon termination of employment, disability (as defined in the Plan), or death, a participant or his or her beneficiary is entitled to his or her entire account. Distributions are made in cash, except that the portion invested in common stock of the Company may be distributed in whole shares of such stock, if requested by the participant or beneficiary. An employee terminating after January 1, 1983 can maintain his or her account in the Plan until age 70 1/2 if the value of such account exceeds \$5,000. As of December 31, 2004 and 2003, benefits of \$113,566,692 and \$102,175,520, 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 pay conversion contribution account may be distributed to him or her before age 59 1/2 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 - A participant may apply for a loan at any time provided that the participant is receiving compensation from which payroll deductions may be made. The amount of the loan cannot exceed the lesser of 50% of the participant's total account, less the outstanding balance of all existing loans, or \$50,000, reduced by the highest outstanding balance of existing loans during the 12 months preceding the effective date of such loan. 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 6.4% 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 monthly installments through payroll deductions and must be repaid within 60 months.

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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 estimated fair value, which has been determined based on the underlying fair values of the assets of the Master Trust.

Investments are reported at fair value. All investments in securities are traded on national and over the-counter exchanges and are valued at the closing bid price of the security as of the last day of the year. 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, 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> |
| * | \$1,055,299,003 | \$974,115,558 |
| Corporate debt investments | | |
| Other equities | 40.8 % | 41.0 % |

Percentage of Plan's investments in the Master Trust's investments

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

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

| | |
|---|-------------------|
| Interest-net | \$9,408,604 |
| Dividends | 6,454,266 |
| Other | 488,207 |
| Net appreciation in fair value of investments | <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 as 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 investments-net | <u>(17,245,665)</u> |
| | <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 the 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. The chemicals division participants in the Plan 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
THRIFT PLAN FOR SALARIED EMPLOYEES
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 11% maturing in 1 to 60 months | ** | \$ 9,043,776 |

*

Party-in-interest.

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

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