

VULCAN MATERIALS CO
Form 11-K
June 27, 2003

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, 2002

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)

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INDEPENDENT AUDITORS' REPORT

**To the Administrative Committee of 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, 2002 and 2001, and the related statements of

changes in net assets available for benefits for the years then ended. 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 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2002 and 2001, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP
DELOITTE & TOUCHE LLP

Birmingham, Alabama
June 13, 2003

VULCAN MATERIALS COMPANY
THRIFT PLAN FOR SALARIED EMPLOYEES

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2002 AND 2001

ASSETS	2002	2001
INVESTMENTS [Cost of \$258,807,264 (2002) and \$243,012,957 (2001)]:		
Collective short-term investments		
Common stock of Vulcan Materials Company	\$40,879,591	\$43,233,741
Commingled funds holding principally common stock	183,141,750	245,084,573
Loans to participants	97,133,919	106,036,666
	<u>9,366,213</u>	<u>8,786,345</u>
Total investments	<u>330,521,473</u>	<u>403,141,325</u>
CASH RECEIVABLE FROM VULCAN MATERIALS COMPANY	<u>_1,335,683</u>	<u>_1,058,485</u>
- Employer contributions	<u>\$331,857,156</u>	<u>\$404,199,810</u>
NET ASSETS AVAILABLE FOR BENEFITS		

See notes to financial statements.

VULCAN MATERIALS COMPANY
THRIFT PLAN FOR SALARIED EMPLOYEES

**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

ADDITIONS (DEDUCTIONS) TO NET ASSETS ATTRIBUTED TO:	2002	2001
INVESTMENT INCOME (LOSS):		
Interest, net		
Dividends	\$1,463,812	\$2,559,538
Net investment gains (losses):	4,599,884	4,771,287
Realized	20,889,154	25,441,706
Unrealized	<u>(88,414,159)</u>	<u>(35,422,973)</u>
Net investment loss	<u>(61,461,309)</u>	<u>(2,650,442)</u>
CONTRIBUTIONS:		
Participants	14,596,993	16,196,536
Vulcan Materials Company	<u>5,730,794</u>	<u>6,092,087</u>
Total contributions	<u>20,327,787</u>	<u>22,288,623</u>
	(460,680)	(390,072)
NET LOAN ACTIVITY		
	213,402	1,595,213
REDISTRIBUTION OF PARTICIPANTS' INVESTMENT OPTIONS BETWEEN PLANS	<u>(55,070)</u>	<u>119,825</u>
OTHER, net	<u>(41,435,870)</u>	<u>20,963,147</u>
TOTAL ADDITIONS (DEDUCTIONS), net		
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
WITHDRAWALS BY PARTICIPANTS:		
Cash	24,131,012	33,610,748
Common stock of Vulcan Materials Company	<u>6,775,772</u>	<u>9,134,478</u>
Total withdrawals	<u>30,906,784</u>	<u>42,745,226</u>
NET DECREASE	(72,342,654)	(21,782,079)
NET ASSETS AVAILABLE FOR BENEFITS:		
BEGINNING OF YEAR	<u>404,199,810</u>	<u>425,981,889</u>
END OF YEAR	<u>\$331,857,156</u>	<u>\$404,199,810</u>

See notes to financial statements.

**VULCAN MATERIALS COMPANY
THRIFT PLAN FOR SALARIED EMPLOYEES**

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

- The financial statements of the Vulcan Materials Company Thrift Plan for Salaried Employees (the "Plan") have been prepared on the accrual basis of accounting. All assets of the Plan are held by the Northern Trust Company of Chicago, Illinois (the "Trustee"). Vulcan Materials Company (the "Company") pays the administrative costs of the Plan, including the Trustee's fees and charges.

Valuation of Investments - 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 cost plus accrued interest which approximates fair value. The average cost of securities sold or distributed is used to determine net investment gains or losses realized. Security transactions are recorded on the settlement 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 management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risk and Uncertainties - The Plan 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 statements of net assets available for plan benefits.

2. DESCRIPTION OF THE PLAN

General

- The 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 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 Company, CalMat of New Mexico and CalMat of Central California (collectively, the "Participating Companies") through voluntary payroll deductions and contributions by the Participating Companies.

Effective January 1, 2002, the Company amended and restated the Plan. In connection with the

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

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.

Funding - 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 (pre-tax) 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.

Participating Companies expect to make matching contributions out of accumulated earnings and profits to match that portion of an employee's contribution (whether pre-tax, after-tax or both) amounting up to 4% of the employee's earnings. Matching contributions by Participating Companies are determined by their boards of directors and normally range from 0% to 100% depending on a participant's completed years of matching service. In addition to the matching 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. Pay conversion contributions, which are subject to annual increases pursuant to federal regulations, are limited to a maximum dollar amount of \$11,000. Certain additional limits may be imposed on the amount of contributions by or on behalf of certain higher-paid employees.

Investment Options - Participant's contributions are invested in fourteen separate investment funds and a select retirement account (see Note 5) of the Plan in proportions elected by the participant. The Participating Companies' matching contributions are invested in the fund which consists of common stock of the Company.

Allocations and Determination of Accounts - Separate accounts are maintained for each participant for matched, unmatched, and Participating Companies contributions and accumulated earnings on each. 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 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 - Upon termination of employment, disability (as defined in the Plan) or death, a participant or his beneficiary is entitled to his 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 account in the Plan until age 70-1/2 if the value of such account exceeds \$5,000. As of December 31, 2002 and 2001, benefits of \$79,557,792 and \$82,731,669, 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

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entire account; provided, however, that (1) no portion of an actively employed participant's pay conversion contribution account may be distributed to him 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.

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 twelve 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 8% and 9% in 2002 and 2001, respectively. A loan will be considered as an investment of the participant. The participant's investment accounts will be reduced pro rata by the amount of the loan. Any repayment made will be allocated to the participant's investment accounts in accordance with his current investment direction. Loans must be repaid in monthly installments through payroll deductions. The maximum number of monthly installments is 60.

Plan Termination - In the event it becomes necessary to terminate the Plan, participants will receive a distribution of the amounts held for their accounts.

3. NET REALIZED INVESTMENT GAINS

	Aggregate Cost	Aggregate Proceeds	Net Realized Gain (Loss)
2002			
Fund holding principally intermediate- term fixed income investments	\$7,587,938	\$8,134,312	\$546,374
Commingled funds holding principally common stock	35,970,896	33,588,598	(2,382,298)
Commingled funds holding principally international equity instruments	9,590,907	8,406,417	(1,184,490)
	<u>16,975,531</u>	<u>40,885,099</u>	<u>23,909,568</u>
Fund holding Vulcan Materials Company common stock	<u>\$70,125,272</u>	<u>\$91,014,426</u>	<u>\$20,889,154</u>
	\$10,618,376	\$11,443,358	\$824,982
	88,271,242	89,303,152	1,031,910
Total	2,867,429	2,440,597	(426,832)
2001			
Fund holding principally intermediate- term fixed income investments	<u>12,406,486</u>	<u>36,418,132</u>	<u>24,011,646</u>
Commingled funds holding principally common stock	<u>\$114,163,533</u>	<u>\$139,605,239</u>	<u>\$25,441,706</u>

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Commingled funds
 holding principally
 international equity
 instruments
 Fund holding Vulcan
 Materials
 Company common
 stock
 Total

4. INVESTMENTS

The Plan's investment assets consist of an interest in one of the investment accounts of the Vulcan Materials Company Master Trust ("Master Trust") administered by Northern Trust Company. Use of the Master Trust permits the commingling of investment assets of a number of employee benefit plans of the Participating Companies. Although the assets are commingled, the Company maintains supporting records for the purpose of allocating the investment assets and the related net earnings to the various participating employee benefit plans.

The investment accounts of the Master Trust at December 31, 2002 and 2001 are summarized as follows:

	2002	2001
Pension Investment Account	\$388,945,708	\$468,970,898
Thrift Plan Investment Account	331,857,156	404,199,810
Chemicals Savings Account	31,111,905	34,635,694
Construction Savings Account	<u>51,915,949</u>	<u>52,206,236</u>
Net assets	<u>\$803,830,718</u>	<u>\$960,012,638</u>

The net assets of the Master Trust at December 31, 2002 and 2001 are summarized as follows:

	2002	2001
Commingled fund holding principally short-term fixed income investments and loans to participants	\$84,073,537	\$107,473,764
Guaranteed investment contracts	73,599,023	80,719,631
Fund holding principally real estate investments	44,924	83,975
Fund holding principally venture capital and partnership investments	25,860,144	31,967,603
Fund holding principally intermediate- term fixed income investments	84,268,199	102,242,204
U.S. government securities	72,113,206	52,094,193
Commingled funds holding principally common stock	159,226,818	202,120,878
Commingled funds holding principally international equity instruments	87,312,885	98,628,742
Fund holding Vulcan Materials Company common stock	213,065,685	281,318,440
Derivatives	325,300	833,275
Other equities		
Net assets		

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<u>3,940,997</u>	<u>2,529,933</u>
<u>\$803,830,718</u>	<u>\$960,012,638</u>

The total investment income (loss) by type of the Master Trust for the years ended December 31, 2002 and 2001 is summarized as follows:

	2002	2001
Interest, net		
Dividends	\$12,045,779	\$15,518,683
Other	6,319,623	7,115,588
Net investment gains (losses):	260,289	1,927,259
Realized		
Unrealized	(2,008,576)	146,036,813
	<u>(148,282,806)</u>	<u>(237,933,944)</u>
Total	<u>\$(131,665,691)</u>	<u>\$(67,335,601)</u>

Investments held by the Plan at December 31, 2002 and 2001 and changes in unrealized appreciation (depreciation) of investments for the years then ended are summarized below:

	Cost	Market Value	Appreciation (Depreciation)
Totals at December 31, 2001	<u>\$243,012,957</u>	<u>\$403,141,325</u>	<u>\$160,128,368</u>
Totals at December 31, 2002:			
Loans to Participants	9,366,213	9,366,213	
Managed Funds:			
301,086 units - fixed income investments	19,110,497	21,759,361	
4,942,983 units - common stocks	87,118,071	72,702,169	
300,134 units - international equity instruments	2,814,729	2,672,389	
\$40,879,591 par - money market investments	40,879,591	40,879,591	
4,883,780 shares of Vulcan Materials	<u>99,518,163</u>	<u>183,141,750</u>	
Company common stock	<u>258,807,264</u>	<u>330,521,473</u>	
Total	<u>\$15,794,307</u>	<u>\$(72,619,852)</u>	<u>71,714,209</u>
Net change in 2002	<u>\$227,828,167</u>	<u>\$423,379,508</u>	<u>\$(88,414,159)</u>
Totals at December 31, 2000			
Totals at December 31, 2001:			
Loans to Participants	8,786,345	8,786,345	<u>\$195,551,341</u>
Managed Funds:			
244,466 units - fixed income investments	15,356,383	16,895,190	
85,322,897	85,322,897	86,008,733	
4,454,066 units - common stocks	3,942,375	3,132,743	
288,015 units - international equity instruments	43,233,741	43,233,741	
\$43,233,741 par - money market investments	43,233,741	43,233,741	
5,112,319 shares of Vulcan	<u>86,371,216</u>	<u>245,084,573</u>	

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Materials			
Company common stock	<u>243,012,957</u>	<u>403,141,325</u>	<u>160,128,368</u>
Total	<u>\$15,184,790</u>	<u>\$(20,238,183)</u>	<u>\$(35,422,973)</u>
Net change in 2001			

5. INVESTMENT PROGRAM

All contributions of Participating Companies are invested in the fund which consists of the Company's common stock, except that retired or active employees over age 55 or disabled employees may transfer Company matching funds to the other investment funds. With respect to investment alternatives (1) the short-term money market fund, (2) the intermediate-term fixed income fund, (3) S&P 500 index fund, (4) the large-cap value index fund, (5) the small-cap value index fund, (6) the large-cap growth index fund, (7) the small-cap growth index fund, (8) the international equity fund, (9) the Vulcan Materials Company common stock fund, and (10) through (14) the balanced funds, investment managers have been appointed whose duty it is to advise the Trustee as to particular investments to be made. Included in the investment alternatives is a Select Retirement Account (a self-directed brokerage account) which allows the employee to invest in securities outside the standard fund. At December 31, 2002, the investment managers were as follows:

- | | |
|---|--|
| (1) Short-term money market fund | The Northern Trust Company
50 South LaSalle Street
Chicago, IL 60675 |
| (2) Intermediate-term fixed income fund | Mellon Bond Associates
One Mellon Bank Center, Room 1450
Pittsburgh, PA 15258-0001 |
| (3) S&P 500 index fund | State Street Global Advisors
One International Place
Boston, MA 02110 |
| (4) Large-cap value index fund | State Street Global Advisors
One International Place
Boston, MA 02110 |
| (5) Small-cap value index fund | State Street Global Advisors
One International Place
Boston, MA 02110 |
| (6) Large-cap growth index fund | State Street Global Advisors
One International Place
Boston, MA 02110 |
| (7) Small-cap growth index fund | State Street Global Advisors
One International Place
Boston, MA 02110 |
| (8) International equity fund | State Street Global Advisors
One International Place |

Boston, MA 02110

(9) Vulcan Materials Company common stock fund

The Northern Trust Company
50 South LaSalle Street
Chicago, IL 60675

(10) through (14) Balanced funds

State Street Global Advisors
One International Place
Boston, MA 02110

6. TAX STATUS

The Plan obtained its latest determination letter on January 10, 2003, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

SIGNATURES

THE PLAN. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustee (or other person who administers the employee benefit plan) has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

VULCAN MATERIALS COMPANY
THRIFT PLAN FOR SALARIED EMPLOYEES

by: /s/Charles D. Lockhart

Charles D. Lockhart

Chairman of the Administrative Committee

Date: June 27, 2003