

FIRST MID ILLINOIS BANCSHARES INC

Form 11-K

June 24, 2005

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

FORM 11-K

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

For the fiscal year ended December 31, 2004

FIRST MID-ILLINOIS BANCSHARES, INC.
401(k) PROFIT SHARING PLAN

(Full Title of Plan)

FIRST MID-ILLINOIS BANCSHARES, INC.
1515 Charleston Avenue
P.O. Box 499
Mattoon, Illinois 61938

(Name of Issuer of the Securities Held Pursuant to the Plan
and the Address of the Principal Executive Office)

FIRST MID-ILLINOIS BANCSHARES, INC.
401(k) PROFIT SHARING PLAN

Financial Statements and Supplemental Schedule

December 31, 2004 and 2003

(With Report of Independent Registered Public Accounting Firm Thereon)

FIRST MID-ILLINOIS BANCSHARES, INC.
401(k) PROFIT SHARING PLAN

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Report of Independent Registered Public Accounting Firm

The Participants and Plan Administrator of the
First Mid-Illinois Bancshares, Inc.
401(k) Profit Sharing Plan:

We have audited the accompanying statements of net assets available for plan benefits of the First Mid Illinois Bancshares, Inc. 401(k) Profit Sharing Plan as of December 31, 2004 and 2003, and the related statement of changes in net assets available for plan benefits for the year ended December 31, 2004. These financial statements are the responsibility of the Plan Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the 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

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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 the plan administrator, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the First Mid-Illinois Bancshares, Inc. 401(k) Profit Sharing Plan as of December 31, 2004 and 2003, and the changes in net assets available for plan benefits for the year ended December 31, 2004 in conformity with U.S. generally accepted accounting principles.

Our audits were performed 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) 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 & Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan Administrator. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

Chicago, Illinois
June 24, 2005

FIRST MID-ILLINOIS BANCSHARES, INC.
401(k) PROFIT SHARING PLAN
Statements of Net Assets Available for Plan Benefits
December 31, 2004 and 2003

	2004	2003
	-----	-----
Assets:		
Investments, at fair value:		
Mutual funds	\$ 11,540,838	\$ 9,585,032
Money market funds	205,631	257,025
Certificates of deposit	1,457,730	1,378,437
Employer common stock	9,192,884	7,215,610
Participant loans	482,914	319,348
	-----	-----
	22,879,997	18,755,452
Receivables:		

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Interest and dividends	63,921	82,147
Employer contributions	1,761	--
	-----	-----
Total assets	22,945,679	18,837,599
Liabilities:		
Refunds due to excess contributions	4,629	--
	-----	-----
Net assets available for plan benefits	\$ 22,941,060	\$ 18,837,599
	=====	=====

See accompanying notes to financial statements.

FIRST MID-ILLINOIS BANCSHARES, INC. 401(k) PROFIT SHARING PLAN Statement of Changes in Net Assets Available for Plan Benefits Year ended December 31, 2004

Additions to net assets attributed to:

Investment income:

Interest and dividends	\$ 498,841
Net appreciation in fair value of investments	2,571,172

Total investment income	3,070,013

Contributions:

Employer	613,843
Participants	719,296
Rollovers	142,044

Total contributions	1,475,183

Total additions	4,545,196

Deductions from net assets attributed to:

Benefit payments	441,745

Net increase in net assets available for plan benefits	4,103,451
Net assets available for plan benefits:	
Beginning of year	18,837,599

End of year	\$ 22,941,050
	=====

See accompanying notes to financial statements.

(1) Description of Plan

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The following description of the First Mid-Illinois Bancshares, Inc. 401(k) Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan established on January 1, 1985, covering all eligible employees of First Mid-Illinois Bancshares, Inc. (the Company) and any of its subsidiary corporations. All employees who have completed one-half year of service are eligible to participate in the Plan. Under the provisions of the Plan, each participant may direct their contributions into any of eleven investment options available under the Plan. The Plan currently offers eight mutual funds, a money market fund, certificates of deposit, and the Company's common stock as investment options for participants. Participants are also allowed to transfer all or part of their actual balances between these funds. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Under the provisions of the Plan, all employees who have entered into a compensation reduction agreement with the Company may elect to reduce their eligible compensation by up to any percentage, subject to the dollar limitations of Section 402(g) of the Internal Revenue Code (Code), (\$13,000 for the 2004 Plan year), and to have the Company contribute this amount to the Plan as a before-tax contribution of the participant. The Company also makes a matching contribution calculated as a percentage of the before tax contribution made on behalf of each contributing participant. The Company determines this percentage each year. Matching contributions, however, will not exceed 2% of the eligible compensation of each participant in any year and cannot exceed 50% of the employee's elected deferral. Matching contributions are invested according to the participant's investment elections. For the year ended December 31, 2004, the matching contribution percentage was 2% for a total of \$187,502.

The Company may also, at its sole discretion, contribute to the Plan an amount to be determined from year to year as a profit sharing contribution. For the year ended December 31, 2004, the profit sharing contribution was 4% of eligible compensation for a total of \$426,341. The profit sharing contribution is maintained in a nonparticipant directed investment until this contribution is allocated by the Plan to the participant accounts. Participants who work at least 1,000 hours of service during the plan year are entitled to this contribution regardless of whether they elect to make a before-tax contribution.

Participant Accounts

Separate participant accounts are maintained for the purpose of distributing the Plan's earnings or losses, forfeitures, voluntary employee contributions, and employer contributions. Allocations of the Plan's earnings or losses, forfeitures, and employer contributions to the participant accounts are based on participant earnings or account balances, as defined in the Plan. Forfeited nonvested accounts are allocated to participant accounts annually. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

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Participant Loans

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 40% of their vested account balance. Loan transactions are treated as a transfer between the various investment funds and participant loans. Maturity dates range from October 2005 through October 2018. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with local prevailing rates as determined by the plan administrator. Interest rates on loans outstanding at December 31, 2004 ranged from 4.00% to 8.50%. Principal and interest is paid ratably through periodic payroll deductions.

Vesting

Participants are immediately vested in their voluntary contribution and the Company's matching contribution, and any earnings thereon. The Company's profit sharing contribution, and any earnings thereon, vest according to the following schedule:

Years of service	Vested Percentage
-----	-----
1	0%
2	20
3	40
4	60
5	80
6	100

On termination of service, a participant's vested account balance will be paid in the form of a lump sum distribution or installment payments.

Administrative Expenses

Administrative expenses of the Plan are paid by the Company.

Forfeited Accounts

Forfeitures of terminated nonvested account balances allocated to remaining participants at December 31, 2004 and 2003 totaled \$14,644 and \$24,208, respectively. Forfeitures are allocated to participant accounts on a prorata share based on compensation.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions of ERISA. In the event the Plan is terminated, participants will become fully vested in their accounts.

Transfers to the Plan

Effective November 18, 2003, the Company merged the Checkley Agency, Inc. 401(k) Plan, with assets of \$607,580, into the Plan.

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(2) Summary of Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Investment Valuation and Income Recognition

Quoted market prices are used to value the mutual funds and common stock. Money market funds and certificates of deposit are valued at cost, which approximates fair value. Participant loans are recorded at the unpaid principal balance of the loans which approximates fair value. The Plan's investments are held in a trust account (the Trust) administered by First Mid-Illinois Bank & Trust (the Bank), a wholly owned subsidiary of the Company.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Payment of Benefits

Benefits are recorded when paid.

(3) Investments

The following table presents the fair value of individual investments which represent 5% or more of the Plan's net assets available for plan benefits at December 31:

Investment	Description	2004	2003
First Mid-Illinois Bank & Trust	Certificate of		
Certificate of Deposit	deposit	\$ *	\$ 967,541
Federated Max Capital Fund	Mutual fund	2,228,390	2,111,88
Janus Adviser Balance Fund	Mutual fund	--	1,226,62
Janus Adviser Worldwide Fund	Mutual fund	--	1,201,75
Vanguard Growth Index Fund	Mutual fund	2,419,618	2,295,45
Dodge & Cox Balanced Fund	Mutual fund	1,630,340	--
Oakmark Global I Fund	Mutual fund	1,615,027	--
T. Rowe Price Mid-Cap Value Fund	Mutual fund	1,161,257	*
First Mid-Illinois Bancshares, Inc. stock	Common stock	\$9,192,884	\$7,215,61

* - Less than 5% at December 31

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During 2004, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

Mutual funds	\$ 879,328
Common stock	1,691,844

Net appreciation in fair value of investments	\$ 2,571,172
	=====

(4) Nonparticipant-Directed Investments

Information about the net assets relating to the nonparticipant-directed investments as of December 31, 2004 and 2003, and the components of the changes for the years ended December 31, 2004 and 2003, are as follows:

	2004	2003
	-----	-----
Net assets:		
Certificate of deposit	\$ 430,988	\$ 410,896
Money market fund	--	14,494
Interest receivable	788	1,085
Employer contribution receivable	587	--
	-----	-----
Net assets	\$ 432,363	\$ 426,475
	=====	=====
Changes in net assets:		
Contributions	\$ 426,341	\$ 418,471
Interest income	6,022	8,004
Transfers to participant-directed investments	(426,475)	(382,317)
	-----	-----
	\$ 5,888	\$ 44,158
	=====	=====

(5) Tax Status of the Plan

The Company adopted a Prototype Non-Standardized Profit Sharing Plan with a cash or deferral arrangement which received a favorable opinion letter from the Internal Revenue Service on August 7, 2001 stating that the Plan and related Trust are designed in accordance with applicable sections of the Internal Revenue Code, and the Trust is, therefore, exempt from Federal income tax under provisions of Section 501(a). The Plan has been amended since receiving the opinion letter. However, the plan administrator and the Plan's legal counsel believe that the Plan is designed and currently being operated 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.

(6) Transactions with Related Parties

The Plan holds certificates of deposit with First Mid-Illinois Bank & Trust, a related party. The certificates of deposit totaled \$1,457,730 and \$1,378,437 at December 31, 2004 and 2003 and interest income of \$30,881 was

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recorded during 2004. The Plan also had an investment in 241,918 and 155,008 shares of the Company's common stock at December 31, 2004 and 2003, respectively. The common stock had a cost and fair value of \$3,361,032 and \$9,192,884, respectively, at December 31, 2004 and \$3,191,793 and \$7,215,610, respectively, at December 31, 2003. Dividends received on the Company's common stock for 2004 were \$112,854.

Schedule

FIRST MID-ILLINOIS BANCSHARES, INC.
401(k) PROFIT SHARING PLAN

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2004

Identity of issuer and description of investment	Number of shares or units	
Money market funds:		
Federated Prime Obligation Funds #10	36,670	\$
Federated Prime Obligation Fund #396	168,253	
NTHN Institutional Funds Government Select	708	
Certificates of deposit:		
First Mid-Illinois Bank & Trust CD; 2.25%, maturing January 3, 2005 (nonparticipant-directed, cost of \$430,988)*	--	
First Mid-Illinois Bank & Trust CD; 2.25%, maturing January 3, 2005 (participant-directed)*	--	1,
Mutual funds:		
Federated Mid Capital Index Fund	43,834	
Federated Max Capital Fund	91,141	2,
Federated Total Return Bond Fund	69,539	
Fidelity Low Priced Stock Fund	18,127	
Dodge & Cox Balanced Fund	20,546	1,
Oakmark Global I Fund	74,050	1,
Royce Low-Priced Stock Fund	5,254	
T. Rowe Price Mid-Cap Value Fund	50,511	1,
Vanguard Growth Index Fund	91,618	2,
Common stock:		
First Mid-Illinois Bancshares, Inc.*	241,918	9,
Participant loans (49 loans at interest rates ranging from 4.00% to 8.50% with maturity dates ranging from October 2005 to October 2018)	482,914	
Total investments		\$22 =====

* Party-in-interest

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See accompanying report of independent registered public accounting firm.

SIGNATURES

THE PLAN. Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

First Mid-Illinois Bancshares, Inc.
401(k) Profit Sharing Plan

Date: June 24, 2005

/s/ William S. Rowland

William S. Rowland
President and Chief Executive Officer

Exhibit Index to Annual Report on Form 11-K

Exhibit Number	Description and Filing or Incorporation Reference
23.1	Consent of KPMG LLP

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

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The Board of Directors

First Mid-Illinois Bancshares, Inc.:

We consent to incorporation by reference in the registration statement (No. 33-64139) on Form S-8 of First Mid-Illinois Bancshares, Inc. of our report dated June 24, 2005, relating to the statements of net assets available for plan benefits of the First Mid-Illinois Bancshares, Inc. 401(k) Profit Sharing Plan as of December 31, 2004 and 2003, the related statement of changes in net assets available for plan benefits for the year ended December 31, 2004, and the supplemental schedule of assets (held at end of year) as of December 31, 2004, which report appears in the December 31, 2004 annual report on Form 11-K of the First Mid-Illinois Bancshares, Inc. 401(k) Profit Sharing Plan.

/s/ KPMG LLP

Chicago, Illinois

June 24, 2005