

FIRST MID ILLINOIS BANCSHARES INC

Form 11-K

June 29, 2006

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
EIN 37-0404035 PN 002
Accountants' Report and Financial Statements
December 31, 2005 and 2004

First Mid-Illinois Bancshares, Inc.
401(k) Profit Sharing Plan
December 31, 2005 and 2004

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying statement of net assets available for benefits of First Mid-Illinois Bancshares, Inc. 401(k) Profit Sharing Plan as of December 31, 2005, and the related statement of changes in net assets available for benefits for the year 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 audit. The financial statements of First Mid-Illinois Bancshares, Inc. 401(k) Profit Sharing Plan as of and for the year ended December 31, 2004, were audited by other accountants whose report dated June 24, 2005 expressed an unqualified opinion on those statements.

We conducted our audit 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2005 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of First Mid-Illinois Bancshares, Inc. 401(k) Profit Sharing Plan as of December 31, 2005, and the changes in its net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying 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 and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has

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been subjected to the auditing procedures applied in the audit of the 2005 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2005 basic financial statements taken as a whole.

/s/ BKD, LLP

Decatur, Illinois
May 16, 2006

Federal Employer Identification Number: 44-0160260

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 statement 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 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 audit.

We conducted our audit 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents 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 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.

/s/ KPMG LLP

Chicago, Illinois
June 24, 2005

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First Mid-Illinois Bancshares, Inc.
 401(k) Profit Sharing Plan
 Statements of Net Assets Available for Benefits
 December 31, 2005 and 2004

Assets	2005	2004
Investments, At Fair Value	\$ 24,813,871	\$ 22,879,997
Receivables		
Employer's contribution	--	1,761
Interest and dividends	72,777	63,921
	72,777	65,682
Total assets	24,886,648	22,945,679
Liability		
Refunds due to excess contributions	17,533	4,629
Net Assets Available for Benefits	\$ 24,869,115	\$ 22,941,050

See Notes to Financial Statements

First Mid-Illinois Bancshares, Inc.
 401(k) Profit Sharing Plan
 Statements of Changes in Net Assets Available for Benefits
 Years Ended December 31, 2005 and 2004

	2005	2004
Investment Income		
Net appreciation in fair value of investments	\$ 969,790	\$ 2,571,172
Interest and dividends	695,018	498,841
	1,664,808	3,070,013
Contributions		
Employer	628,456	613,843
Participants	764,561	719,296
Rollovers	29,282	142,044
	1,422,299	1,475,183

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Total additions	3,087,107	4,545,196
Deductions		
Benefits paid directly to participants	1,159,042	441,745
Net Increase	1,928,065	4,103,451
Net Assets Available for Benefits, Beginning of Year	22,941,050	18,837,599
Net Assets Available for Benefits, End of Year	\$ 24,869,115	\$ 22,941,050

See Notes to Financial Statements

First Mid-Illinois Bancshares, Inc.
401(k) Profit Sharing Plan
Notes to Financial Statements
December 31, 2005 and 2004

Note 1: Description of the Plan

The following description of First Mid-Illinois Bancshares, Inc. 401(k) Profit Sharing Plan (Plan) provides only general information. Participants should refer to the Plan Document and Summary Plan Description for a more complete description of the Plan's provisions, which are available from the plan administrator.

General

The Plan is a defined contribution plan sponsored by First Mid-Illinois Bancshares, Inc. (Company) covering all full-time employees who have at least one-half year of service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

The Plan permits eligible employees through a salary deferral election to have the Company make annual contributions of up to 100% of eligible compensation. Employee rollover contributions are also permitted. The Company 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. 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 years ended December 31, 2005 and 2004, the profit sharing contribution was 4% of eligible compensation. Contributions are subject to certain limitations.

Participant Investment Account Options

Investment account options available include various funds. Each

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participant has the option of directing his contributions into any of the separate investment accounts and may change the allocation daily. The profit sharing contribution is maintained in a nonparticipant directed investment until this contribution is allocated by the Plan to the eligible participant accounts.

Participant Accounts

Each participant's account is credited with the participant's contribution, the Company's contribution and plan earnings. The benefits to which a participant is entitled is the benefit that can be provided from the participant's vested account.

First Mid-Illinois Bancshares, Inc.
401(k) Profit Sharing Plan
Notes to Financial Statements
December 31, 2005 and 2004

Vesting

Participants are immediately vested in their voluntary contributions and the Company's matching contributions plus earnings thereon. Vesting in the Company's profit sharing contribution portion of their accounts plus earnings thereon is based on years of continuous service. A participant is fully vested after 6 years of continuous service. The nonvested balance is forfeited upon payment of benefits. Forfeitures are allocated among active participants based upon eligible compensation.

Payment of Benefits

Upon termination of service, an employee may elect to receive either a lump-sum amount or installments equal to the value of his account.

Participant Loans

The Plan document includes provisions authorizing loans from the Plan to active eligible participants. Loans are made to any eligible participant demonstrating a qualifying need. The minimum amount of a loan shall be \$1,000. The maximum amount of a participant's loans is determined by the available loan balance restricted to the lesser of \$50,000 or 40% of the participant's vested account balance. All loans are covered by demand notes and are repayable over a period not to exceed five years except for loans for the purchase of a principal residence through payroll withholdings unless the participant is paying the loan in full. Interest on the loans is charged at prime rate at loan inception.

Plan Termination

Although it has not expressed an 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 of ERISA. In the event of plan termination, participants will become 100% vested in their accounts.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

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The accompanying financial statements are prepared on the accrual basis of accounting.

First Mid-Illinois Bancshares, Inc.
401(k) Profit Sharing Plan
Notes to Financial Statements
December 31, 2005 and 2004

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 and liabilities and changes therein and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Valuation of Investments and Income Recognition

Quoted market prices are used to value mutual funds and common stock. Participant loans, certificates of deposit, and money market funds are valued at cost, which approximates fair value.

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

Plan Tax Status

The Plan adopted a prototype plan which obtained its latest determination letter on August 7, 2001, in which the Internal Revenue Service stated that the Plan and related trust, as then designed, were in compliance with the applicable requirements of the Internal Revenue Code and therefore not subject to tax. The Plan has been amended since receiving the determination letter. However, the plan administrator believes that the Plan and related trust are currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

First Mid-Illinois Bancshares, Inc.
401(k) Profit Sharing Plan
Notes to Financial Statements
December 31, 2005 and 2004

Note 3: Investments

The Plan's investments are held by a bank-administered trust fund. The following table presents the Plan's investments. Investments that represent 5% or more of total plan assets are separately identified.

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	2005	
	Net Appreciation in Fair Value During Year	Fair Value at End of Year
Investments at Fair Value as Determined by Quoted Prices in an Active Market		
Mutual funds	\$ 353,402	\$ 12,364,336
Common stock	616,388	10,259,387
	-----	-----
	969,790	22,623,723
Investments at Cost Which Approximates Fair Value		
Money market funds	--	228,486
Certificates of deposit	--	1,501,969
Participant loans	--	459,693
	-----	-----
	--	2,190,148
	-----	-----
	\$ 969,790	\$ 24,813,871
	=====	=====

First Mid-Illinois Bancshares, Inc.
401(k) Profit Sharing Plan
Notes to Financial Statements
December 31, 2005 and 2004

	2004	
	Net Appreciation in Fair Value During Year	Fair Value at End of Year
Investments at Fair Value as Determined by Quoted Prices in an Active Market		
Mutual funds	\$ 879,328	\$ 11,540,838
Common stock	1,691,844	9,192,884
	-----	-----
	2,571,172	20,733,722
Investments at Cost Which Approximates Fair Value		
Money market funds	--	205,631
Certificates of deposits	--	1,457,730
Participant loans	--	482,914
	-----	-----
	--	2,146,275
	-----	-----
	\$ 2,571,172	\$ 22,879,997

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The fair value of individual investments that represented 5% or more of the Plan's net assets available for benefits were as follows:

	2005	2004
	-----	-----
Federated Max Capital Fund	\$ 2,245,624	\$ 2,228,390
Vanguard Growth Index Fund	2,331,586	2,419,618
Dodge & Cox Balanced Fund	1,772,610	1,630,340
Oakmark Global I Fund	2,177,692	1,615,027
T. Rowe Price Mid-Cap Value Fund	1,462,070	1,161,257
First Mid-Illinois Bancshares, Inc. common stock	10,259,387	9,192,884
	-----	-----
	\$ 20,248,969	\$ 18,247,516
	=====	=====

Interest and dividends realized on the Plan's investments for the years ended 2005 and 2004 were \$695,018 and \$498,841, respectively.

First Mid-Illinois Bancshares, Inc.
401(k) Profit Sharing Plan
Notes to Financial Statements
December 31, 2005 and 2004

Note 4: Nonparticipant-Directed Investments

Information about the net assets and the components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

	2005	2004
	-----	-----
Net assets:		
Certificate of deposit	\$ 444,262	\$ 430,988
Interest receivable	1,076	788
Employer contribution receivable	--	587
	-----	-----
Net assets	\$ 445,338	\$ 432,363
	=====	=====
Changes in net assets:		
Contributions	\$ 437,210	\$ 426,341
Interest income	8,128	6,022
Transfers to participant-directed investments	(432,363)	(426,475)
	-----	-----

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Total additions	\$ 12,975	\$ 5,888
	=====	=====

Note 5: Party-in-Interest Transaction

Party-in-interest transactions include those with fiduciaries or employees of the Plan, any person who provides services to the Plan, an employer whose employees are covered by the Plan, a person who owns 50 percent or more of such an employer, or relatives of such persons.

The Plan's investments are held in a trust account administered by First Mid-Illinois Bank & Trust, a wholly owned subsidiary of the Company. Active participants can purchase the common stock of the Company. At December 31, 2005 and 2004, participants held 253,006 and 241,918 shares, respectively.

The Plan also holds certificates of deposit with First Mid-Illinois Bank & Trust, totaling \$1,501,969 and \$1,457,730 at December 31, 2005 and 2004, respectively.

The Plan incurs expenses related to general administration and record keeping. The plan sponsor pays these expenses and certain accounting and auditing fees relating to the Plan.

Supplemental Schedule

First Mid-Illinois Bancshares, Inc.
 401(k) Profit Sharing Plan
 EIN 37-0404035 PN 002
 Schedule H, Line 4i - Schedule of Assets (Held at End of Year)
 December 31, 2005

Identity of Issuer	Description of Investment	Current Val

Certificates of Deposit		
First Mid-Illinois Bank & Trust*	3.75%, due 12/31/2006	\$ 444,2
First Mid-Illinois Bank & Trust*	3.75%, due 12/31/2006	1,057,7

		1,501,9
Common Stock		
First Mid-Illinois Bancshares, Inc.*	253,006 Shares	10,259,3

Mutual Funds		
Federated Mid Capital Index Fund	45,502 Shares	1,008,3
Federated Max Capital Fund	90,879 Shares	2,245,6

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Federated Total Return Bond Fund	51,291 Shares	541,1
Fidelity Low Priced Stock Fund	17,913 Shares	731,5
Dodge & Cox Balanced Fund	21,793 Shares	1,772,6
Oakmark Global I Fund	92,786 Shares	2,177,6
Royce Low-Priced Stock Fund	6,036 Shares	93,7
T. Rowe Price Mid-Cap Value Fund	62,535 Shares	1,462,0
Vanguard Growth Index Fund	84,662 Shares	2,331,5

		12,364,3
Money Market		
Federated Prime Obligation Funds #10	11,433 Units	11,4
Federated Prime Obligation Fund #396	216,967 Units	216,9
NTHN Institutional Funds Government Select	86 Units	

		228,4
Participant Loans	4.00% to 8.50%	459,6

		\$ 24,813,8
		=====

Represents a party-in-interest to the Plan

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 29, 2006

/s/ William S. Rowland

William S. Rowland
President and Chief Executive Officer

Exhibit Index to Annual Report on Form 11-K

Exhibit

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Number	Description and Filing or Incorporation Reference
23.1	Consent of BKD, LLP
23.2	Consent of KPMG LLP