

FIRST MID ILLINOIS BANCSHARES INC
Form 11-K
July 01, 2002

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, 2001

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, 2001 and 2000

(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page
Independent Auditors' Report	1
Statements of Net Assets Available for Plan Benefits	2
Statement of Changes in Net Assets Available for Plan Benefits	3
Notes to Financial Statements	4
Schedule H, Line 4i - Schedule of Assets (Held at End of Year)	11

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets available

Edgar Filing: FIRST MID ILLINOIS BANCSHARES INC - Form 11-K

for plan benefits of the First Mid-Illinois Bancshares, Inc. 401(k) Profit Sharing Plan as of December 31, 2001 and 2000, and the related statement of changes in net assets available for plan benefits for the year ended December 31, 2001. 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 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 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, 2001 and 2000, and the changes in net assets available for plan benefits for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

Our audit was 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.

KPMG LLP

Chicago, Illinois

June 24, 2002

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

Statements of Net Assets Available for Plan Benefits

December 31, 2001 and 2000

	2001	2000
	----	----
Assets:		
Investments, at fair value:		
Mutual funds	\$ 7,177,175	8,268,829

Edgar Filing: FIRST MID ILLINOIS BANCSHARES INC - Form 11-K

Money market funds	221,488	310,511
Certificates of deposit	1,303,496	1,104,813
Employer common stock	3,247,187	2,368,547
Common stock	123,008	195,101
Participant loans	240,965	252,823
	-----	-----
	12,313,319	12,500,624
Receivables:		
Interest and dividends	33,777	30,148
	-----	-----
Total assets	12,347,096	12,530,772
Liabilities:		
Cash overdraft	1,637	--
Refunds due to excess contributions	8,299	5,311
	-----	-----
Net assets available for plan benefits	\$12,337,160	12,525,461
	=====	=====

See accompanying notes to financial statements.

2

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

Statement of Changes in Net Assets Available for Plan Benefits

Year ended December 31, 2001

Changes in net assets attributed to:		
Investment income (loss):		
Interest and dividends		\$226,140
Net depreciation in fair value of investments		(565,794)

Total investment loss		(339,654)

Contributions:		
Employer		474,999
Participants		506,540
Rollovers		501,824

Total contributions		1,483,363

		1,143,709
Changes in net assets attributed to benefit payments		
		1,332,010

Edgar Filing: FIRST MID ILLINOIS BANCSHARES INC - Form 11-K

Net decrease in net assets	
available for plan benefits	(188,301)
Net assets available for plan benefits:	
Beginning of year	12,525,461

End of year	\$12,337,160
	=====

See accompanying notes to financial statements.

3

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

Notes to Financial Statements

December 31, 2001 and 2000

(1) DESCRIPTION OF PLAN

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 January 1, 1985, covering all eligible employees of First Mid-Illinois Bancshares, Inc. (the Company) and any of its subsidiary corporations. All full-time 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 ten investment options available under the Plan. The Plan currently offers seven 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

Edgar Filing: FIRST MID ILLINOIS BANCSHARES INC - Form 11-K

to 15%, subject to the dollar limitations of section 402(g) of the Internal Revenue Code (Code), \$10,500 for the 2001 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 6% of the eligible compensation of each participant in any year. For the year ended December 31, 2001, the matching contribution percentage was 2%.

4

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

Notes to Financial Statements

December 31, 2001 and 2000

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, 2001, the profit sharing contribution was 4% of eligible compensation. 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 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.

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 account balance. Loan transactions are treated as a transfer between the various investment funds and participant loans. Maturity dates range from March 2003 through August 2013. 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, 2001 ranged from 4.75% to 9.50%. 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 4% profit sharing contribution, and any earnings thereon, vest according to the following schedule:

5

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

Notes to Financial Statements

December 31, 2001 and 2000

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

Payments of Benefits

On termination of service, a married participant's vested account balance will be paid in the form of a qualified joint and survivor annuity and an unmarried participant's vested account balance will be paid in the form of a life annuity. Under the provisions of the Plan, a participant may waive the right to receive the annuity form of payment and receive a lump sum distribution instead.

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, 2001 and 2000 totaled \$16,227 and \$22,177, respectively. Forfeitures are allocated to participant accounts as 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.

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

Notes to Financial Statements

December 31, 2001 and 2000

(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 stock. Money market accounts 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.

Edgar Filing: FIRST MID ILLINOIS BANCSHARES INC - Form 11-K

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

Notes to Financial Statements

December 31, 2001 and 2000

(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 -----	2001 ----
First Mid-Illinois Bank & Trust, Certificate of Deposit	Certificate of deposit	\$ 960,206
Federated Max Capital Fund	Mutual fund	1,981,559
Janus Adviser Balance Fund	Mutual fund	1,041,766
Janus Adviser Worldwide Fund	Mutual fund	1,252,844
Vanguard Growth Index Fund	Mutual fund	1,735,326
First Mid-Illinois Bancshares, Inc. shares	Common stock	3,247,187

During 2001, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

Mutual funds	\$(1,190,194)
Employer stock	621,987
Common stock	2,413

Net depreciation in fair value of investments	\$ (565,794)
	=====

(4) NONPARTICIPANT-DIRECTED INVESTMENTS

Information about the net assets relating to the nonparticipant-directed investments as of December 31, 2001 and 2000, and the significant components of the changes for the year ended December 31, 2001, is as follows:

Edgar Filing: FIRST MID ILLINOIS BANCSHARES INC - Form 11-K

401(K) PROFIT SHARING PLAN

Notes to Financial Statements

December 31, 2001 and 2000

	2001	2000
	----	----
Net assets:		
Certificate of deposit	\$343,290	302,883
	=====	=====
Changes in net assets:		
Contributions	\$331,044	290,952
Interest income	12,246	11,931
Transfers to participant-directed investments	(302,883)	(288,864)
	-----	-----
	\$ 40,407	14,019
	=====	=====

(5) TAX STATUS OF THE PLAN

The Company adopted a Prototype Standardized Profit Sharing Plan with a cash or deferral arrangement which received a favorable opinion letter from the Internal Revenue Service on September 25, 1995 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 the Bank, a related party. The certificates of deposit totaled \$1,302,355 and \$1,104,813 at December 31, 2001 and 2000 and interest income of \$48,433 was recorded during 2001. The Plan also had an investment in 136,436 and 125,763 shares of the Company's common stock at December 31, 2001 and 2000, respectively. The common stock had a cost and fair value of \$2,498,471 and \$3,247,187, respectively, at December 31, 2001 and \$2,256,094 and \$2,368,547, respectively, at December 31, 2000. Related dividends received on the Company's stock for 2001 were \$51,083.

Edgar Filing: FIRST MID ILLINOIS BANCSHARES INC - Form 11-K

(7) RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for plan benefits per the financial statements at December 31, 2001 to the Form 5500:

Net assets available for plan benefits per the financial statements	\$12,337,160
Benefit obligations currently payable	(5,661)

Net assets available for plan benefits per the Form 5500	\$12,331,499
	=====

The following is a reconciliation of benefit payments per the financial statements for the year ended December 31, 2001, to the Form 5500:

Benefit payments per the financial statements	\$ 1,332,010
Benefit obligations currently payable	5,661

Benefit payments per the Form 5500	\$ 1,337,671
	=====

Benefit payments to participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to December 31, 2001, but not yet paid as of that date.

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, 2001

Identity of issuer and description of investment	Number of shares or units	Current value
-----	-----	-----
Money market accounts:		

Edgar Filing: FIRST MID ILLINOIS BANCSHARES INC - Form 11-K

Goldman Sachs Financial Squares	13,652	\$	13,652
Federated US Treasury Cash Reserve	15,669		15,669
Federated Prime Obligation Fund	180,347		180,347
NTHN Institutional Funds Government Select	11,820		11,820
Certificates of deposit:			
First Mid-Illinois Bank & Trust CD; 5.5%, maturing December 31, 2001 (nonparticipant- directed, cost of \$342,149) *	--		343,290
First Mid-Illinois Bank & Trust CD; 5.5%, maturing December 31, 2001 (participant- directed) *	--		960,206
Mutual funds:			
Federated Mid Capital Index Fund	21,544		364,523
Federated Max Capital Fund	85,302		1,981,559
Federated Total Return Bond Fund	32,694		343,284
Janus Adviser Balance Fund	45,494		1,041,766
Janus Adviser Worldwide Fund	42,731		1,252,844
PBHG Growth Fund	22,489		457,873
Vanguard Growth Index Fund	65,707		1,735,326
Common stock:			
Bank One Corporation	3,150		123,008
First Mid-Illinois Bancshares, Inc.*	136,436		3,247,187
Participant loans (at interest rates ranging from 4.75% to 9.50%, with maturity dates ranging from March 2003 through August 2013)*			240,965
Total investments			<u>\$12,313,319</u> =====

* Party-in-interest

See accompanying independent auditors' report.

11

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.

Date: June 28, 2002

By: /s/ William S. Rowland

William S. Rowland
Its: President and Chief Executive
Officer

