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Illinois' Accounting Practices Deny Investors Transparency.

It has been nearly two decades since the state of Illinois had a balanced budget.

Faced with a mounting debt crisis and growing social unrest, the state is grappling with the very real possibility of being downgraded to junk status. Yet, Illinois' most recent budget deficit ran much smaller than many had expected, raising fresh suspicion over the state's accounting practices.

A study conducted by the Illinois Policy Institute found that state lawmakers employed "cash-based" accounting as a way to mask the true extent of the budget shortfall. The Policy Institute determined that the reported deficit of just under $8 billion for fiscal 2017 was really $14.6 billion when factoring in spending incurred in the actual year.

Against this backdrop, investors must be reminded that Illinois' perilous financial situation cannot be concealed or distorted through unethical accounting practices. This is important to bear in mind when weighing the decision to invest in the state's municipal bonds.

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