

JURONG-CLEMENTI TOWN COUNCIL
(Established under the Town Councils Act, Cap 329 A)

FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 31 MARCH 2020

JURONG-CLEMENTI TOWN COUNCIL

FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED 31 MARCH 2020

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INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF JURONG-CLEMENTI TOWN COUNCIL

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Jurong-Clementi Town Council (the "Town Council"), which comprise the statement of financial position as at 31 March 2020, and the statements of income and expenditure, comprehensive income, changes in funds and cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Town Councils Act, Cap 329A (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to present fairly, in all material respects, the financial position of the Town Council as at 31 March 2020 and the financial performance, changes in funds and cash flows of the Town Council for the financial year ended on that date.

Basis of Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Town Council in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information relates to the Chairman's Message included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with the provisions of the Act and FRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF JURONG-CLEMENTI TOWN COUNCIL

Report on the Audit of Financial Statements (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements (Continued)

A Town Council is constituted based on its Act and its dissolution requires Parliament's approval. In preparing the financial statements, management is responsible for assessing the Town Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is intention to wind up the Town Council or for the Town Council to cease operations.

Those charged with governance are responsible for overseeing the Town Council's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF
JURONG-CLEMENTI TOWN COUNCIL**

Report on Other Legal and Regulatory Requirements

Opinion

In our opinion:

- (a) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Town Council during the financial year are, in all material respects, in accordance with the provisions of the Act; and
- (b) proper accounting and other records have been kept, including records of all assets of the Town Council whether purchased, donated or otherwise.

Basis of Opinion

We conducted our audit in accordance with SSAs. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Compliance Audit section of our report. We are independent of the Town Council in accordance with the ACRA Code together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on management's compliance.

Responsibilities of Management for Compliance with Legal and Regulatory Requirements

Management is responsible for ensuring that the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act. This responsibility includes monitoring related compliance requirements relevant to the Town Council, and implementing internal controls as management determines are necessary to enable compliance with the provisions of the Act.

Auditor's Responsibilities for the Compliance Audit

Our responsibility is to express an opinion on management's compliance based on our audit of the financial statements. We planned and performed the compliance audit to obtain reasonable assurance about whether the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act.

Our compliance audit includes obtaining an understanding of the internal control relevant to the receipts, expenditure, investment of moneys and the acquisition and disposal of assets; and assessing the risks of material misstatement of the financial statements from non-compliance, if any, but not for the purpose of expressing an opinion on the effectiveness of the Town Council's internal control. Because of the inherent limitations in any internal control system, non-compliances may nevertheless occur and not be detected.



Foo Kon Tan LLP

Public Accountants and
Chartered Accountants

Singapore

23 November 2020

JURONG-CLEMENTI TOWN COUNCIL

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	<u>Note</u>	<u>2020</u>	<u>2019</u>
		<u>S\$</u>	<u>S\$</u>
TOWN COUNCIL FUNDS			
Residential Property			
Accumulated Surplus	4	3,006,340	2,119,994
Sinking Fund	5	43,200,747	39,895,426
Lift Replacement Fund	6	33,655,280	23,707,450
Town Improvement and Project Fund	7	1,455,827	1,703,737
		<u>81,318,194</u>	<u>67,426,607</u>
Commercial Property			
Accumulated Surplus	4	2,105,565	1,776,389
Sinking Fund	5	38,608,531	38,995,249
Lift Replacement Fund	6	11,518,697	10,239,109
Town Improvement and Project Fund	7	1,213,429	524,238
		<u>53,446,222</u>	<u>51,534,985</u>
Carpark			
Accumulated Surplus	4	5,771,213	4,470,030
Total Town Council funds		<u><u>140,535,629</u></u>	<u><u>123,431,622</u></u>
REPRESENTED BY:			
Non-current assets			
Property, plant and equipment	8	920,970	70,568
Investments at amortised cost	9	11,971,938	14,978,320
Investment at fair value through profit or loss	10	3,004,020	3,061,680
		<u>15,896,928</u>	<u>18,110,568</u>
Current assets			
Investments at amortised cost	9	3,003,617	3,000,000
Conservancy and service fees receivables	11	1,157,644	1,207,876
Other receivables	12	12,125,911	10,601,472
Neighbourhood Renewal Programme funding receivables	13	2,005,138	2,202,898
Sport-In-Precinct Programme funding receivables	14	1,017,808	923,690
Electrical Load Upgrading Programme funding receivables	15	346,860	-
Cash and bank balances	16	118,668,040	101,406,198
		<u>138,325,018</u>	<u>119,342,334</u>
Total assets		<u><u>154,221,946</u></u>	<u><u>137,452,902</u></u>
Less:			
Non-current liabilities			
Lease Liabilities	17	496,128	-
Current liabilities			
Conservancy and service fees received in advance		1,010,448	1,441,502
Electrical Load Upgrading Programme funding received in advance	15	-	958,432
Lease Liabilities	17	290,987	-
Payables and accrued expenses	18	10,723,814	10,732,986
Income tax payable	19	1,162,940	888,380
		<u>13,188,189</u>	<u>14,021,280</u>
Total liabilities		<u><u>13,686,317</u></u>	<u><u>14,021,280</u></u>
Net assets		<u><u>140,535,629</u></u>	<u><u>123,431,622</u></u>



Mr Xie Yao Quan
Chairman

Date: 23 November 2020



Mr Ho Thian Poh
Secretary

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

JURONG-CLEMENTI TOWN COUNCIL

STATEMENT OF INCOME AND EXPENDITURE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	<u>Note</u>	<u>2020</u> <u>S\$</u>	<u>2019</u> <u>S\$</u>
Operating Income			
Conservancy and service fees	4	64,423,713	63,881,044
Less: Operating income transfer to			
- Sinking Fund (minimum required by law)	4, 5	(16,750,170)	(18,609,073)
- Lift Replacement Fund (minimum required by law)	4, 6	(9,019,323)	(8,943,350)
		38,654,220	38,328,621
Agency fees	4, 20	4,261,311	4,210,550
Other Income	4, 21	4,193,361	3,713,857
		47,108,892	46,253,028
Less: Operating expenditure			
Cleaning works		(8,263,461)	(8,374,496)
Managing agent's fees	22	(4,343,052)	(4,153,312)
Lift maintenance		(10,646,675)	(10,539,634)
Other works and maintenance		(9,787,203)	(10,108,276)
Water and electricity		(12,837,355)	(11,565,729)
General and administrative expenditure	23	(4,830,868)	(4,244,990)
		(50,708,614)	(48,986,437)
Operating deficit		(3,599,722)	(2,733,409)
Add: Investment and interest income	24	331,212	296,766
Deficit before government grants and Income tax		(3,268,510)	(2,436,643)
Less: Income tax	19	(459,368)	(332,803)
Deficit before government grants		(3,727,878)	(2,769,446)
Government grants	25	25,085,256	22,584,321
Less: Transfer to			
- Sinking Fund including Lift Maintenance Grant and GST Subvention	5	(3,139,328)	(3,117,133)
- Lift Replacement Fund including Lift Maintenance Grant and GST Subvention	6	(1,690,409)	(1,678,457)
- Lift Replacement Fund - LRF Matching Grant	6	(5,350,640)	(7,297,139)
- Town Improvement and Project Fund	7	(7,660,296)	(3,298,222)
		7,244,583	7,193,370
SURPLUS FOR THE FINANCIAL YEAR		3,516,705	4,423,924
Add: Accumulated Surplus at 1 April		8,366,413	9,442,489
Less: Appropriation to Town Improvement and Project Fund	7	(1,000,000)	(1,500,000)
Less: Voluntary contribution to Lift Replacement Fund	6	-	(4,000,000)
ACCUMULATED SURPLUS AT 31 MARCH		10,883,118	8,366,413

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

JURONG-CLEMENTI TOWN COUNCIL

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	<u>Note</u>	<u>2020</u> <u>S\$</u>	<u>2019</u> <u>S\$</u>
Surplus/(Deficit) for the financial year			
- Accumulated Surplus	4	3,516,705	4,423,924
- Sinking Fund	5	2,918,603	11,433,755
- Lift Replacement Fund	6	11,227,418	9,482,825
- Town Improvement and Project Fund	7	<u>(558,719)</u>	<u>(2,685,343)</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ATTRIBUTABLE TO TOWN COUNCIL FUNDS		<u>17,104,007</u>	<u>22,655,161</u>

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

JURONG-CLEMENTI TOWN COUNCIL

STATEMENT OF CHANGES IN TOWN COUNCIL FUNDS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Residential Property S\$	Commercial Property S\$	Carpark S\$	Total S\$
Balance at 1 April 2018	46,459,411	51,091,403	3,225,647	100,776,461
Surplus for the financial year	20,967,196	443,582	1,244,383	22,655,161
Total comprehensive income for the financial year attributable to Town Council funds	20,967,196	443,582	1,244,383	22,655,161
Balance at 31 March 2019	67,426,607	51,534,985	4,470,030	123,431,622
Surplus for the financial year	13,891,587	1,911,237	1,301,183	17,104,007
Total comprehensive income for the financial year attributable to Town Council funds	13,891,587	1,911,237	1,301,183	17,104,007
Balance at 31 March 2020	81,318,194	53,446,222	5,771,213	140,535,629

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

JURONG-CLEMENTI TOWN COUNCIL

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	2020 S\$	2019 S\$
Operating activities			
Deficit before government grants and income tax	4	(3,268,510)	(2,436,643)
Adjustments for:			
Allowance for doubtful receivables	11	270,498	94,767
Conservancy and service fees transferred to Sinking Fund	4	16,750,170	16,609,073
Conservancy and service fees transferred to Lift Replacement Fund	4	9,019,323	8,943,350
Depreciation of property, plant and equipment	23	332,840	29,408
Interest expense	23	7,235	-
Interest income	4, 24	(331,212)	(296,766)
Administrative fees earned on ELUP projects	15, 21	(668,832)	(410,240)
Improvement works on NRP completed projects included in other works and maintenance	13	-	367,961
Improvement works on ELUP completed projects included in other works and maintenance	15	-	11,938
Gain on disposal of property, plant and equipment	23	(100)	(1,000)
Operating cash flows before movements in working capital		22,111,412	22,911,848
Movements in working capital:			
Receivables		878,002	(1,021,077)
Payables		(440,206)	2,527,370
Cash generated from operations before income tax		22,549,208	24,418,141
Income tax paid	19	(521,246)	(437,637)
Sinking Fund income	5	872	1,135
Sinking Fund expenditure	5	(18,284,729)	(9,470,874)
Lift Replacement Fund expenditure	6	(5,532,582)	(8,899,008)
Town Improvement and Project Fund expenditure	7	(8,219,015)	(5,983,565)
Neighbourhood Renewal Programme expenditure	13	(1,964,928)	(7,225,073)
Sport-in-Precinct Programme expenditure	14	(1,365,777)	(1,813,336)
Electrical Load Upgrading Programme expenditure	15	(1,714,047)	(2,884,684)
Cash used in operations before government grants		(15,052,244)	(12,294,901)
Government grants received	25	22,446,813	18,796,897
Selective Lift Replacement Programme disbursement	12	300,771	-
Funding received for Neighbourhood Renewal Programme	13	2,162,688	6,252,920
Funding received for Sport-in-Precinct Programme	14	1,271,859	1,880,906
Funding received for Electrical Load Upgrading Programme	15	1,077,587	3,560,332
Net cash generated from operating activities		12,207,474	18,196,154
Investing activities			
Interest and investment income received		2,455,630	1,795,803
Proceeds from Maturity of Investments		3,000,000	8,000,000
Purchase of plant and equipment	A	(95,362)	(54,899)
Proceeds from disposal of plant and equipment		100	1,000
Maturity/(Placement) of fixed deposits		9,262,894	(31,856,573)
Net cash generated from/(used in) investing activities		14,623,262	(24,114,669)
Financing activities			
Principal repayment of lease liabilities	17	(298,765)	-
Interest expense paid	17	(7,235)	-
Net cash used in financing activities		(306,000)	-
Net increase/(decrease) in cash and cash equivalents		26,524,736	(5,918,515)
Cash and cash equivalents at beginning of financial year		44,263,873	50,182,388
Cash and cash equivalents at the end of financial year	16	70,788,609	44,263,873

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

JURONG-CLEMENTI TOWN COUNCIL

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

Note A - Purchase of property, plant and equipment

During the year, the Town Council acquired property, plant and equipment with an aggregate cost of S\$947,484 (2019: S\$54,899) of which S\$852,122 (2019: S\$Nil) relates to non-cash additions to right-of-use assets and lease liabilities, and the balance of S\$95,362 (2019: S\$54,899) was paid in cash.

Note B - Reconciliation of liabilities arising from financial activities

The table below details changes in the Town Council's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Town Council's statement of cash flows as cash flows from financing activities.

	Note	At 1 April 2019 S\$	Cash flows		Non-cash flows			At 31 March 2020 S\$
			Principal repayment S\$	Interest paid S\$	Adoption of FRS 116 S\$	New leases S\$	Interest expense S\$	
Lease liabilities	17	-	(298,765)	(7,235)	235,758	852,122	7,235	789,115

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Jurong-Clementi Town Council (the "Town Council") was formed on 13 November 2001 under the Town Councils Act, Chapter 329A (the "Act"). The registered office and principal place of operations is at Block 255 Jurong East St 24 #01-303 Singapore 600255.

The principal functions of the Town Council are to control, manage, maintain and improve the common property of residential, other commercial property and market and food centres in the housing estates of the Housing and Development Board ("HDB") within the Town.

By virtue of the writ of election issued on 25 August 2015, a general election was called on 11 September 2015. Subsequently, the electoral boundaries were redrawn and the Clementi Division of West Coast Group Representation Constituency became part of Jurong Group Representation Constituency. By virtue of the Town Councils (Declaration of Towns) Order 2015, the Jurong Town Council has been renamed as Jurong-Clementi Town Council on 1 October 2015 and the Clementi housing estates of the HDB became part of the Jurong-Clementi Town on 1 December 2015.

The financial statements for the financial year ended 31 March 2020 were authorised for issue in accordance with a resolution of the Town Council on 23 November 2020.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") including all related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the provisions of the Act and are prepared on a historical cost basis, except as disclosed in the accounting policies below.

The financial statements of the Town Council are measured and presented in the currency of the primary economic environment in which the Town Council operates (its functional currency). The financial statements of the Town Council are presented in Singapore dollars ("S\$ or SGD"), which is also the functional currency of the Town Council.

Adoption of new and revised standards

In the current financial year, the Town Council has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for annual periods beginning on or after 1 April 2019. Except for the adoption of FRS 116 Leases described below, the adoption of other new or revised FRS and INT FRS did not result in significant changes to the Town Council's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

FRS 116 Leases

FRS 116 supersedes FRS 17 Leases, INT FRS 104 Determining whether an Arrangement contains a Lease, INT FRS 15 Operating Leases – Incentives, and INT FRS 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease to set out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position. The changes introduced by FRS 116 will primarily affect the financial statements of the lessees.

FRS 116 requires, with limited exceptions, the lessee to recognise, at initial recognition, lease liabilities, measured at the present value of lease payments that are not paid as of that date to reflect the present value of the future lease payments, and right-of-use ("ROU") assets at cost, comprising elements including the amount of the initial measurement of the lease liabilities, initial direct costs incurred by the lessee and estimates of other contracted costs to be incurred by the lessee, for its lease contracts. Leases of "low-value" assets and qualifying short term leases entered into by lessees can be exempted from the new recognition criteria.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Adoption of new and revised standards (Continued)

FRS 116 Leases (Continued)

The Town Council applied FRS 116 using the modified retrospective method with the date of initial application on 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening balance of accumulated surplus at the date of initial application, without restatement of comparatives under FRS 17. The ROU assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.

Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate ("IBR") at the date of initial application.

The Town Council previously determined at contract inception whether an arrangement was or contained a lease under FRS INT 104 Determining whether an Arrangement contains a Lease. The Town Council now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in FRS 116.

The Town Council has elected to apply the practical expedient available on transition to FRS 116 not to reassess whether a contract is, or contains, a lease. Accordingly, the superseded definition of a lease under FRS 17 continues to be applied to those leases entered into, or modified, before 1 April 2019, and the Town Council applies the new definition of a lease and related guidance set out in FRS 116 only to those lease contracts entered into, or modified, on or after 1 April 2019. After the transition to FRS 116, the Town Council shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

For lessee accounting, FRS 116 introduces significant changes by removing the distinction between operating and finance lease and requiring the recognition of an ROU asset and a lease liability at commencement for all leases.

The Town Council used a number of practical expedients when applying FRS 116 to leases previously classified as operating leases under FRS 17. In particular, the Town Council:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- excluded initial direct costs from the measurement of the ROU asset at the date of initial application;
- used hindsight when determining the lease term when the contract contains options to extend or terminate the lease; and
- adjust the ROU asset at the date of initial application by the amount of provision of onerous leases recognised under FRS 37 Provisions, contingent liabilities and contingent assets in the statements of financial position immediately before the date of initial application, as an alternative to performing an impairment review under FRS 36.

As a lessee

The Town Council's leased assets pertain to office premises. The Town Council previously classified these leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Town Council. Under FRS 116, the Town Council recognises ROU assets representing its right to use the underlying assets and lease liabilities representing its obligations to make lease payments.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Adoption of new and revised standards (Continued)

FRS 116 Leases (Continued)

Leases previously classified as operating leases under FRS 17

The Town Council previously classified office premises leases as operating leases under FRS 17. On transition, the lease liabilities of these leases were measured at the present value of the remaining lease payments, discounted at the Town Council's IBR applicable to the leases as at 1 April 2019. ROU assets are measured at an amount equal to the lease liabilities.

For lease of low value assets, the Town Council has elected for exemption under FRS 116 from recognising ROU assets and lease liabilities, and to report these lease expenses in income and expenditure on a straight-line basis.

The Town Council has tested its ROU assets for impairment on the date of transition and has concluded that there is no indication that the ROU assets are impaired.

Financial impact of initial adoption of FRS 116

The effect of adoption of FRS 116 as at 1 April 2019 was as follows:

	Increase in
	S\$
ROU assets included in property, plant and equipment	235,758
Lease Liabilities	<u>235,758</u>

On 1 April 2019, there is no material impact on tax circumstances which give rise to temporary differences on initial recognition of both the ROU assets and lease liabilities.

The Town Council's weighted average IBR applied to measure the Town Council's lease liabilities recognised in the statement of financial position on 1 April 2019 was 2.38% per annum.

A reconciliation of the differences between the Town Council's operating lease commitments previously disclosed in the financial statements as at 31 March 2019 and the Town Council's lease liabilities recognised in the statement of financial position on 1 April 2019 is as follows:

	S\$
Operating lease commitments under FRS 17 as at 31 March 2019 (Note 27)	482,476
Less: Non-lease components	(244,476)
Less: Discounting effect using weighted average IBR of 2.38%	<u>(2,242)</u>
Lease liabilities recognised under FRS 116 as at 1 April 2019	<u>235,758</u>

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the following new FRSs relevant to the Town Council were issued but not yet effective:

<i>Reference</i>	<i>Description</i>	<i>Effective date (annual periods beginning on or after)</i>
Various	Amendments to References to the Conceptual Framework in FRS	1 January 2020
Amendments to FRS 1, FRS 8	Definition of Material	1 January 2020
Amendments to FRS 109, FRS 39 and FRS 107	Interest Rate Benchmark Reform	1 January 2020
Amendments to FRS 116	Covid-19 - Related Rent Concessions	1 June 2020
Amendments to FRS 16	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to FRS 37	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Amendments to FRS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Various	Annual Improvements to FRS Standards 2018 - 2020	1 January 2022

The Town Council has not early adopted any of the above new standards and amendments to the existing standards in the financial year ended 31 March 2020. Management anticipates that the adoption of the aforementioned new or revised standards will not have a material impact on the financial statements of the Town Council in the period of their initial adoption.

2.2 Town Council funds

In accordance with Section 33(1) of the Act, separate funds are established to account for the management of the different types of properties. The types of properties currently under the management of the Town Council are as follows:

Residential Property
Commercial Property

Car parks are managed by the Town Council for the Housing and Development Board ("HDB") on an agency basis.

These operating funds related to properties under management, together with Sinking Fund, Town Improvement and Project Fund, and Lift Replacement Fund form the Town Council funds.

All moneys received by the Town Council are paid into and related expenditure are met out of the appropriate funds set up for each property type managed.

Assets and liabilities of the various funds of the Town Council are pooled in the statement of financial position.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

2. Summary of significant accounting policies (Continued)

2.2 Town Council funds (Continued)

Sinking Funds

In accordance with Section 33(4) of the Act, separate Sinking Funds are established for improvement to, management and maintenance of residential and commercial properties. These Sinking Funds are maintained as part of the Town Council funds.

Under the Act, the Minister for National Development may, from time to time, prescribe the minimum amounts of conservancy and service fees and grants-in-aid to be paid into the Sinking Fund.

The minimum amounts to be paid, by property type, into the Sinking Fund are as follows:

- | | |
|--|---|
| (i) Residential property (1-room to Executive) | 26% of the conservancy and service fees and grants-in-aid |
| (ii) Commercial property | 26% of the conservancy and service fees and grants-in-aid |

These minimum contributions are treated as operating income transfers and are deducted from conservancy and service fees and government grants in the statement of income and expenditure. Government grants which are subject to the minimum contribution rates to Sinking Fund and Lift Replacement Fund are Service and Conservancy Charges Operating Grant, GST Subvention Grant and Lift Maintenance Grant.

The Sinking Fund is utilised for cyclical works, including major repainting, renewal or replacement of roofing system, water tanks, pumps and water supply system, lightning protection system, installation of any sensor and starter controller to the time-controlled booster pumping system, major repairs and maintenance of the common area and contributions to the HDB in respect of general upgrading works carried out on the common property as defined under the Housing and Development Act.

Lift Replacement Fund

In accordance with Section 33(4A) of the Act, Lift Replacement Fund ("LRF") was established from 1 April 2017 to meet the cost of lift replacements and lift-related replacement works. This fund is maintained as part of the Town Council funds.

Under the Act, the Minister of National Development may, from time to time, prescribe the minimum amounts of conservancy and service fees and grants-in-aid to be paid into the LRF.

The minimum amounts to be paid, by property type, into the LRF is as follows:

- | | |
|--|---|
| (i) Residential property (1-room to Executive) | 14% of the conservancy and service fees and grants-in-aid |
| (ii) Commercial property | 14% of the conservancy and service fees and grants-in-aid |

These minimum contributions are treated as operating income transfers and are deducted from conservancy and service fees and government grants in the statement of income and expenditure.

The LRF is utilised for cyclical works, including major lift upgrading and lift renewal, installation or replacement of any video monitoring devices in lifts, major lift replacements and lift-related replacement works.

To help Town Councils to cope with the operating need and long-term capital expenditure requirement for lift replacements and lift-related works, the Ministry of National Development provides two additional grants-in-aids, namely Lift Maintenance Grant (LMG) and LRF Matching Grant, from 1 April 2017.

LRF Matching Grant is not subject to the minimum contribution rates.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

2. Summary of significant accounting policies (Continued)

2.2 Town Council funds (Continued)

Town Improvement and Project Fund

Town Improvement and Project Fund ("TIPF") is established and maintained as part of the Town Council funds. This fund is utilised for improvement and development works in the Town.

TIPF comprise the amounts set aside for projects to be carried out in subsequent financial years. All expenditures on town improvement and projects are appropriated from these reserves.

The fund is set up by transfer of funds from the Accumulated Surplus to fund specific projects to be carried out. In addition, the Town Council receives funding for approved projects under the Community Improvement Projects Committee ("CIPC") scheme. These funds are paid through the Citizens' Consultative Committees ("CCC").

2.3 Inter-funds transfers

Under Section 33(9) and 43(1)(i) of the Act; and Rule 11A of the Town Councils Financial Rules, the Town Council may do the following at the end of a financial year, whichever is applicable:

- (a) Transfer the whole or part of the surplus in Operating Fund to Lift Replacement Fund or Sinking Fund;
- (b) Transfer the whole or part of the surplus in Sinking Fund to Lift Replacement Fund, only to make good any deficit in the Lift Replacement Fund;
- (c) Transfer the whole or part of the surplus in Operating Fund established for residential property to Operating Fund established for commercial property, only to make good any deficit in the Operating Fund established for commercial property;
- (d) Transfer the whole or part of the surplus in Operating Fund established for commercial property to Operating Fund established for residential property, only to make good any deficit in the Operating Fund established for residential property;
- (e) Transfer the whole or part of the surplus in Sinking Fund established for residential property to Sinking Fund established for commercial property, only to make good any deficit in the Sinking Fund established for commercial property;
- (f) Transfer the whole or part of the surplus in Sinking Fund established for commercial property to Sinking Fund established for residential property, only to make good any deficit in the Sinking Fund established for residential property;
- (g) Transfer the whole or part of the surplus in Lift Replacement Fund established for residential property to Lift Replacement Fund established for commercial property, only to make good any deficit in the Lift Replacement Fund established for commercial property; or
- (h) Transfer the whole or part of the surplus in Lift Replacement Fund established for commercial property to Lift Replacement Fund established for residential property, only to make good any deficit in the Lift Replacement Fund established for residential property.

2.4 Allocation of general overheads

Expenditure not specifically related to any property type managed, for example, administrative overheads, tree planting and pruning are allocated to the various property types using equivalent dwelling units as follows:

<u>Property Type</u>	<u>Equivalent Dwelling Unit(s)</u>
1 Residential Property Unit	1
1 Commercial Property Unit	2
6 Car Lots or 36 Motor Cycle Lots or 4 Lorry Lots	1

No overheads are allocated to the Sinking Fund, Town Improvement and Project Fund and Lift Replacement Fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

2. Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent costs recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Town Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income and expenditure when incurred.

Depreciation is charged so as to write off the depreciable amounts of assets over their estimated useful lives, using the straight-line method, on the following bases:

• Furniture, Fixtures and Fittings	5 years
• Office Equipment	5 years
• Data Processing Equipment	3 years
• Plant and Machinery	5 years
• Leased premises	Over remaining period of lease

Leased assets are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the assets shall be fully depreciated over the shorter of the lease terms and their useful lives.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of property, plant and equipment is recognised in income and expenditure.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2.6 Impairment of tangible assets

The Town Council reviews the carrying amounts of its tangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Town Council estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in income and expenditure, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

2. Summary of significant accounting policies (Continued)

2.6 Impairment of tangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior financial years. A reversal of an impairment loss is recognised immediately in income and expenditure, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.7 Financial instruments

Financial assets and financial liabilities are recognised when the Town Council becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Town Council measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income and expenditure.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Town Council's business model and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in income or expenditure when assets are derecognised or impaired, and through the amortisation process.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

2. Summary of significant accounting policies (Continued)

2.7 Financial Instruments (Continued)

Financial assets (Continued)

Subsequent measurement (Continued)

Investments in debt instruments (Continued)

(ii) Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in income or expenditure. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income or expenditure as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss ("FVPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss and is not part of a hedging relationship is recognised in statement of income and expenditure in the period in which it arises.

Investment in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Town Council may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in income and expenditure when the Town Council's right to receive payments is established. Amount presented in OCI shall not be subsequently transferred to income and expenditure. However, the Town Council may transfer the cumulative gain or loss within equity. For investments in equity instruments which the Town Council has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in income and expenditure.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in income and expenditure.

Impairment of financial assets

The Town Council recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Town Council expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For conservancy and service fees receivables, the Town Council applies a simplified approach in calculating ECLs. Therefore, the Town Council does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Town Council has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Town Council considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Town Council may also consider a financial asset to be in default when internal or external information indicates that the Town Council is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Town Council. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of financial assets

The Town Council derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Town Council neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Town Council recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Town Council retains substantially all the risks and rewards of ownership of a transferred financial asset, the Town Council continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Payables and accrued expenses

Payables and accrued expenses are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Town Council derecognises financial liabilities when, and only when, the Town Council's obligations are discharged, cancelled or they expire. Gains and losses are recognised in the statement of income and expenditure when the liabilities are derecognised, and through the amortisation process.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

2. Summary of significant accounting policies (Continued)

2.8 Cash and bank balances

Cash and bank balances comprise cash on hand and demand deposits with financial institutions that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents exclude deposits pledged with the financial institutions as collateral and which form an integral part of the Town Council's cash management.

2.9 Leases

Leases (before 1 April 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Town Council as lessee

Assets held under finance leases are recognised as assets of the Town Council at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income and expenditure, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Town Council's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leases (from 1 April 2019)

The Town Council has applied FRS 116 using modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under FRS 17. The details of accounting policies under FRS 17 are disclosed separately.

The lessee accounting policy for leases from 1 April 2019 are as follows:

The Town Council as lessee

The Town Council assesses whether a contract is or contains a lease at inception of the contract. The Town Council recognises an ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for leases of low value assets. For these leases, the Town Council recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

2. Summary of significant accounting policies (Continued)

2.9 Leases (Continued)

Leases (from 1 April 2019) (Continued)

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Town Council uses the IBR specific to the lessee. The IBR is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The Town Council has elected not to recognise ROU assets and lease liabilities for leases of low value assets, except for sublease arrangements. Lease payments relating to these leases are expensed to income and expenditure on a straight-line basis over the lease term.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Town Council shall recognise those lease payments in income and expenditure in the periods that trigger those lease payments.

The lease liabilities are presented as a separate line in the statement of financial position.

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Town Council remeasures the lease liability (with a corresponding adjustment to the related ROU asset or to income and expenditure if the carrying amount of the ROU asset has already been reduced to zero whenever:

- (i) the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- (ii) the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- (iii) a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

2. Summary of significant accounting policies (Continued)

2.9 Leases (Continued)

Leases (from 1 April 2019) (Continued)

Right-of-use asset ("ROU")

The ROU asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Town Council incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under FRS 37. To the extent that the costs relate to a ROU asset, the costs are included in the related ROU asset, unless those costs are incurred to produce inventories.

Depreciation on ROU assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset as set out in the accounting policies for "Property, plant and equipment".

If a lease transfers ownership of the underlying asset or the cost of the ROU asset reflects that the Town Council expects to exercise a purchase option, the related ROU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The ROU assets (except for those which meet the definition of as investment property) are presented within Property, plant and equipment in the statement of financial position.

The Town Council applies FRS 36 to determine whether a ROU asset is impaired and accounts for any identified impairment loss.

As a practical expedient, FRS 116 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Town Council has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Town Council allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2.10 Provisions

Provisions are recognised when the Town Council has a present legal or constructive obligation as a result of a past event, it is probable that the Town Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using a pre-tax discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in income and expenditure as they arise.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

2. Summary of significant accounting policies (Continued)

2.11 Government grants

The Town Council receives five types of grants from the government; namely; Service and Conservancy Charges ("S&CC") Operating Grant, payments from Citizens' Consultative Committee ("CCC"), GST Subvention Grant, Lift Maintenance Grant (LMG) and Lift Replacement Fund (LRF) Matching Grant.

- (i) S&CC Operating Grant to meet the current financial year's operating expenditure are taken to the statement of income and expenditure.
- (ii) Payments from CCC are granted to provide funding support for community improvement projects under the CIPC scheme.
- (iii) GST Subvention is given as grants-in-aid to assist the Town Council in absorbing the GST increases in service and conservancy charges for HDB residential flats.
- (iv) LMG is given as grants-in-aid to help the Town Council in coping with higher lift-related servicing and maintenance costs.
- (v) LRF Matching Grant is given as grants-in-aid to assist the Town Council to supplement its savings in the LRF. The government provides a 50% matching grant to the following contributions the Town Council makes to the LRF:-
 - (a) Quarterly contributions to the LRF from S&CC collections and other grants-in-aids, including voluntary contributions beyond the minimum LRF contribution rate (i.e. beyond the minimum 14%); and
 - (b) Voluntary contributions of Operating Fund surpluses to the LRF at the end of a financial year, as allowed under Section 33(9) of the Town Council Act.

LRF Matching Grant is directly disbursed to the Town Council's Lift Replacement Fund and is not subject to the minimum contribution rates to Sinking Fund and Lift Replacement Fund.

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to income and expenditure over the expected useful life of the relevant asset by equal annual instalment.

2.12 Revenue recognition

Revenue is measured based on the consideration to which the Town Council expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Town Council satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Conservancy and service fees

Conservancy and service fees are recognised on a time-proportion basis for the period when the service is rendered.

Agency fees

Agency fees for routine maintenance of HDB's carparks are recognised on a time-proportion basis for the period when the service is rendered.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

2. Summary of significant accounting policies (Continued)

2.12 Revenue recognition (Continued)

Interest income

Interest income from fixed deposits and investment in debt instruments are recognised on a time proportion basis using the effective interest rates.

Other income

Other income comprises mainly temporary occupation licenses ("TOL"), liquidated damages claims and other miscellaneous incomes and are recognised when due.

2.13 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Town Council's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.14 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

2.15 Income tax

Tax is provided on the following income:

- (i) Income derived from investments and bank deposits;
- (ii) Fees, rent and other charges received from non-residents or non-owners of properties in the Town for the use of common property and maintenance of carparks where the Town Council opts to manage and maintain them; and
- (iii) Agency fees derived from acting as agent for the HDB.

Income tax is accounted using the liability method that requires the recognition of taxes payable or refundable for the current financial year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws, and the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority.

In respect of government grants received, the Town Council has been granted remission under Section 92(2) of the Income Tax Act (Cap. 134).

Tax shall be payable at the rate of 10% on the income derived from certain investments which have been approved under Section 43G(2) of the Income Tax Act, Cap 134.

3 Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS requires Town Council to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources in the application of the Town Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results could differ from those estimates.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

3 Critical accounting judgments and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the Town Council's accounting policies

Classification and measurement of financial assets

Classification and measurement of financial assets depends on the contractual cash flow characteristics of the financial assets and the business model of the Town Council. The Town Council determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed.

As stated in Note 9, the Town Council has investment in quoted bonds with specific maturity. These investments were classified as financial assets at amortised cost as the Town Council intends to hold these bonds to maturity to collect contractual cash flows which consist solely of payments of principal and interest.

Determination of lease terms

When estimating the lease term of the respective lease arrangement, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Depreciation of property, plant and equipment

The Town Council depreciates the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Town Council intends to derive future economic benefits from the use of the Town Council's property, plant and equipment. The residual value reflects management's estimated amount that the Town Council would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Town Council's property, plant and equipment as at 31 March 2020 was S\$920,970 (2019: S\$70,568) (Note 8).

Allowance for doubtful conservancy and service fees receivables and other receivables

The Town Council assesses at the end of each reporting period whether there is any expected credit loss of conservancy and service fees and other receivables based on assumptions about risk of default and expected loss rates. The Town Council considers factors such as past collection history, existing market conditions as well as forward-looking estimates at each reporting period. The assessment of the correlation between historical observed default, economic conditions and expected credit loss is a significant estimate. Notwithstanding the above, the Town Council evaluates the expected credit loss on receivables in financial difficulties separately. The carrying amount of the Town Council's conservancy and service fees receivables as at 31 March 2020 was S\$1,157,644 (2019: S\$1,207,876) (Note 11). The carrying amount of the Town Council's other receivables as at 31 March 2020 was S\$12,125,911 (2019: S\$10,601,472) (Note 12).

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

3 Critical accounting judgments and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

Provision for income tax

The Town Council is subject to income taxes in Singapore. Judgement is required in determining the deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of operations. The Town Council recognises liabilities for expected tax issues based on estimate of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made. The carrying amount of the Town Council's current tax payable as at 31 March 2020 is S\$1,162,940 (2019: S\$888,360) (Note 19).

Estimation of incremental borrowing rate

The Town Council cannot readily determine the interest rate implicit in the lease. Therefore, it uses the IBR to measure lease liabilities. The IBR is defined as the rate of the interest that the lessee would have to pay to borrow over a similar security the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

The Town Council estimates the IBR relevant to each lease by using observable inputs such as market interest rate and asset yield where available, and then making certain lessee specific adjustments such as Town Council's credit rating.

The carrying amount of the Town Council's ROU assets as at 31 March 2020 is S\$786,563 (2019: Nil) (Note 8). The carrying amount of the Town Council's lease liabilities as at 31 March 2020 is S\$789,115 (2019: Nil) (Note 17). If the incremental borrowing rate had been 50 basis point higher/lower with all other variables held constant, the Town Council's ROU assets and lease liabilities would have been approximately lower/higher by S\$5,600 (2019: Nil) and S\$5,100 (2019: Nil), respectively.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

4. Accumulated Surplus

The surplus for the financial year attributable to the various activities is carried forward as Accumulated Surplus in the respective property types as follows:

	Note	Total		Residential Property		Commercial Property		Carpark	
		2020	2019	2020	2019	2020	2019	2020	2019
		S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
OPERATING INCOME									
Conservancy and service fees		64,423,713	63,881,044	57,878,687	57,420,821	5,545,016	6,460,423	-	-
Less: Operating income transfer to									
- Sinking Fund (minimum required by law)	5	(16,750,170)	(16,609,073)	(15,048,469)	(14,929,365)	(1,701,701)	(1,679,708)	-	-
- Lift Replacement Fund (minimum required by law)	8	(9,019,323)	(8,943,350)	(8,103,021)	(8,038,892)	(916,302)	(904,458)	-	-
		38,654,220	38,328,621	34,727,207	34,452,364	3,927,013	3,876,257	-	-
Agency fees	20	4,261,311	4,210,550	-	-	-	-	4,261,311	4,210,550
Other income	21	4,193,361	3,713,857	3,364,886	2,874,283	787,030	808,711	41,445	30,863
		47,108,892	46,253,028	38,092,093	37,328,647	4,714,043	4,684,968	4,302,756	4,241,413
Less: Operating expenditure		(50,706,614)	(48,988,437)	(43,764,251)	(42,178,821)	(3,922,367)	(3,791,695)	(3,021,996)	(3,016,121)
		(3,599,722)	(2,733,409)	(5,672,158)	(4,851,974)	791,676	893,273	1,280,760	1,225,292
Add: Investment and interest income	24	331,212	296,766	282,863	253,568	19,553	17,481	28,796	25,697
Operating (deficit)/surplus before government grants and income tax		(3,268,510)	(2,436,643)	(5,389,235)	(4,598,386)	811,229	910,754	1,309,558	1,250,989
Less: Income tax	19	(459,368)	(332,803)	(429,623)	(306,390)	(21,372)	(19,807)	(8,373)	(6,606)
(Deficit)/Surplus before government grants		(3,727,878)	(2,769,446)	(5,818,918)	(4,904,776)	789,857	890,947	1,301,183	1,244,383
Add: Government grants	25	25,085,256	22,584,321	22,517,408	21,562,414	2,587,848	1,021,907	-	-
Less: Transfers to									
- Sinking Fund including Lift Maintenance Grant and GST Subvention	5, 25	(3,139,328)	(3,117,133)	(3,122,289)	(3,100,229)	(17,039)	(16,904)	-	-
- Lift Replacement Fund including Lift Maintenance Grant and GST Subvention	6, 25	(1,690,409)	(1,678,457)	(1,681,235)	(1,669,356)	(9,174)	(9,101)	-	-
- Lift Replacement Fund - LRF Matching Grant	6, 25	(5,350,640)	(7,297,139)	(4,890,427)	(6,340,244)	(480,213)	(956,895)	-	-
- Town Improvement and Project Fund	7, 25	(7,660,296)	(3,298,222)	(5,618,193)	(3,298,222)	(2,042,103)	-	-	-
		7,244,583	7,193,370	7,205,264	7,154,363	39,319	39,007	-	-
SURPLUS FOR THE FINANCIAL YEAR		3,516,705	4,423,924	1,386,346	2,249,587	829,176	929,854	1,301,183	1,244,383
Add: Accumulated Surplus at 1 April		8,366,413	9,442,486	2,119,994	2,870,407	1,776,389	3,346,435	4,470,030	3,225,647
Less: Appropriation to Town Improvement and Project Fund	7	(1,000,000)	(1,500,000)	(500,000)	-	(500,000)	(1,500,000)	-	-
Less: Voluntary contribution to Lift Replacement Fund	2.3(a), 6	-	(4,000,000)	-	(3,000,000)	-	(1,000,000)	-	-
ACCUMULATED SURPLUS AT 31 MARCH		10,883,118	8,366,413	3,006,340	2,119,994	2,105,565	1,776,389	5,771,213	4,470,030

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

5. Sinking Fund

	Note	Total 2020 S\$	2019 S\$	Residential Property 2020 S\$	2019 S\$	Commercial Property 2020 S\$	2019 S\$
Balance at 1 April		78,890,675	67,456,920	39,895,426	28,908,181	38,995,249	38,548,739
Add:							
Operating income transfer from conservancy and service fees (minimum required by law)	4	16,750,170	15,608,073	15,048,469	14,929,365	1,701,701	1,678,708
Investment and interest income	5(i), 24	1,555,485	1,365,510	1,454,894	1,277,415	100,591	88,095
Penalty and interest income on late payment of LUP cost		872	1,135	872	1,135	-	-
Transfer from Government grants including Lift Maintenance Grant and GST Subvention	4, 25	3,139,328	3,117,133	3,122,289	3,100,229	17,039	16,904
		21,445,855	21,092,851	19,626,524	19,308,144	1,819,331	1,784,707
Less: Expenditure		(18,284,729)	(9,470,874)	(16,094,364)	(8,144,820)	(2,190,365)	(1,326,054)
Less: Income tax	5(ii) 19	(242,523)	(188,222)	(226,339)	(176,078)	(15,694)	(12,143)
Surplus/(Deficit) for the financial year		2,918,603	11,433,755	3,305,321	10,987,245	(386,718)	446,510
Balance at 31 March		81,809,278	78,890,675	43,200,747	38,895,426	38,608,531	38,995,249
Represented by:							
Non-current assets							
Investments at amortised cost	9	7,971,938	10,978,320				
Investment at fair value through profit or loss	10	3,004,020	3,061,680				
		10,975,958	14,040,000				
Current assets							
Investments at amortised cost	9	3,003,617	3,000,000				
Conservancy and service receivables		671,131	632,206				
Interest receivable		585,376	464,198				
Other receivables		238,563	175,193				
Cash and bank balances		64,882,049	58,114,840				
Due from Accumulated Surplus		4,906,382	4,631,211				
		74,267,118	67,017,646				
		85,243,076	81,057,646				
Total assets							
Current liabilities							
Payables and accrued expenses		3,137,323	1,943,233				
Income tax payable		296,475	223,738				
Total liabilities		3,433,798	2,166,971				
NET ASSETS		81,809,278	78,890,675				

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

5. Sinking Fund (Continued)

(i) Investment and interest income

	<u>2020</u> S\$	<u>2019</u> S\$
Interest from banks	15,961	18,903
Interest from bonds and capital securities		
- Investments at amortised costs	322,826	377,792
- Investment at fair value through profit or loss	120,329	120,000
Interest from fixed deposits	1,156,794	781,952
Interest from structured deposits	-	24,000
Amortisation of bonds	(2,765)	(2,557)
Net gain on fair value changes		
- Investment at fair value through profit or loss	(57,660)	6,420
- Financial assets at fair value through profit or loss	-	39,000
	<u>1,555,485</u>	<u>1,365,510</u>

(ii) Expenditure

	<u>2020</u> S\$	<u>2019</u> S\$
Irrecoverable goods and services tax	298,017	159,441
Reroofing works	225,269	1,396,905
Repairs and redecoration	14,467,768	7,810,336
Replacement of Alert Alarm System	575,308	-
Replacement of water tank, pipes and booster pump	2,158,458	-
Rewiring works	560,398	104,845
Others	(489)	(653)
	<u>18,284,729</u>	<u>9,470,874</u>

JURONG-CLEMENTI TOWN COUNCIL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

6. Lift Replacement Fund

	Note	Total	Residential Property		Commercial Property	
		2020 S\$	2020 S\$	2019 S\$	2020 S\$	2019 S\$
Balance at 1 April		33,946,559	23,707,450	12,802,938	10,239,109	7,660,796
Add:						
Operating income transfer from conservancy and service fees (minimum required by law)	4	9,019,323	8,103,021	8,038,892	916,302	804,458
Investment and interest income	6(i), 24	596,427	557,848	314,442	38,579	21,684
Selective Lift Replacement Programme funding	6(ii)	197,116	177,911	167,055	19,205	9,158
Transfer from government grants including LRF Maintenance Grant and GST Subvention	4, 25	1,890,409	1,681,235	1,669,356	9,174	9,101
Transfer from government grants - LRF Matching Grant	4, 25	5,350,640	4,890,427	6,340,244	460,213	958,895
		16,853,915	15,410,442	16,529,989	1,443,473	1,801,296
Less: Expenditure						
Less: Income tax	6(ii), 19	(5,532,582)	(5,374,772)	(8,579,215)	(157,810)	(319,793)
Surplus for the financial year		11,227,418	9,947,830	7,904,512	1,279,588	1,578,313
Voluntary contribution from Accumulated Surplus	2.3(a), 4	-	-	3,000,000	-	1,000,000
Balance at 31 March		45,173,977	33,655,280	23,707,450	11,518,697	10,239,109
Represented by:						
Non-current assets						
Investments at amortised cost	9	4,000,000	4,000,000			
		4,000,000				
Current assets						
Conservancy and service receivables		361,123				
Interest receivable		216,428				
Selective Lift Replacement Programme funding receivable		-				
Other receivables		1,262,420				
Cash and bank balances		37,582,855				
Due from Accumulated Surplus		2,461,696				
		41,884,522				
Total assets		45,884,522				
Current liabilities						
Payables and accrued expenses		600,562				
Payable to contractors under Selective Lift Replacement Programme		-				
Income tax payable		109,983				
Total liabilities		710,545				
NET ASSETS		45,173,977				

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

6. Lift Replacement Fund (Continued)

(i) Investment and interest income

	<u>2020</u> S\$	<u>2019</u> S\$
Interest from banks	10,886	11,478
Interest from bonds		
- Investments at amortised costs	90,247	90,000
Interest from fixed deposits	495,294	234,648
	<u>596,427</u>	<u>336,126</u>

(ii) Expenditure

	<u>2020</u> S\$	<u>2019</u> S\$
Irrecoverable goods and services tax	124,623	127,063
Lift modernisation / overhauls / total replacement works	410,863	3,459,122
Selective Lift Replacement Programme expenditure	394,232	352,428
Other lift works	4,602,864	4,960,395
	<u>5,532,582</u>	<u>8,899,008</u>

(iii) Selective Lift Replacement Programme funding

MND, on 10 Sep 2014, announced the introduction of the Selective Lift Replacement Programme ("SLRP"). Under the SLRP, older lifts in the HDB blocks will be replaced with new ones that come with updated features such as more energy-efficient motors, vision panels for added security, and doors with infra-red motion safety sensors. The programme will replace older lifts built between 1987 and 1997, and which have not been upgraded under the Lift Upgrading Programme ("LUP").

The Town Council carries out cyclical replacement of lifts when they are around 28 years of age. With the SLRP, Government will co-fund 50% of the lift replacement cost (capped at \$125,000 per lift) to enable the Town Council to incorporate the following features when cyclical replacement is

- (a) Compliance to the Code on Accessibility in the Built Environment;
- (b) Energy-efficient VVVF motors equipped with regenerative drives;
- (c) Infra-red and motion safety door sensors; and
- (d) Vision panels to the lift and landing doors

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

7. Town Improvement and Project Fund

	Note	Total		Residential Property		Commercial Property	
		2020	2019	2020	2019	2020	2019
		S\$	S\$	S\$	S\$	S\$	S\$
Balance at 1 April		2,227,975	3,413,318	1,703,737	1,877,885	524,238	1,535,433
Add/(Less):							
Transfer from government grants	4, 25	7,660,296	3,298,222	5,618,193	3,298,222	2,042,103	-
Expenditure	7(i)	(8,219,015)	(5,983,565)	(6,366,103)	(3,472,370)	(1,852,912)	(2,511,195)
		(558,719)	(2,685,343)	(747,910)	(174,148)	189,191	(2,511,195)
(Deficit)/Surplus for the financial year							
Appropriation from Accumulated Surplus *	4	1,000,000	1,500,000	500,000	-	500,000	1,500,000
Balance at 31 March		2,669,256	2,227,975	1,455,827	1,703,737	1,213,429	524,238

Represented by:

Current assets	
Goods and services tax receivable	125,219
Receivables from CCC	7,570,324
Due from Accumulated Surplus	12,290
Total assets	<u>7,695,543</u>

Current liabilities	
Payables and accrued expenses	1,556,227
Due to Accumulated Surplus	3,470,060
Total liabilities	<u>5,026,287</u>

NET ASSETS	<u>2,669,256</u>
	<u>2,227,975</u>

* The amount required by the Town Improvement and Project Fund for the following financial year would then be appropriated from the Accumulated Surplus.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

7. Town Improvement and Project Funds (Continued)

(i) Expenditure

	<u>2020</u> <u>S\$</u>	<u>2019</u> <u>S\$</u>
Construction of covered link way/drop-off point	3,111,905	1,855,511
Construction of pavilion shelter	93,358	22,067
Construction/Upgrading playground or fitness centre	1,983,740	665,382
Large scale town wide project	966,534	116,037
Improvement works and other amenities	2,063,478	3,324,568
	<u>8,219,015</u>	<u>5,983,565</u>

JURONG-CLEMENTI TOWN COUNCIL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

8. Property, plant and equipment

	<u>Furniture, fixtures and fittings</u> S\$	<u>Office equipment</u> S\$	<u>Data processing equipment</u> S\$	<u>Plant and machinery</u> S\$	<u>Leased premises</u> S\$	<u>Total</u> S\$
Cost						
At 1 April 2018	19,336	88,933	157,899	95,427	-	361,595
Additions	9,090	36,335	4,374	5,100	-	54,899
Written-off	(4,610)	(36,149)	(2,368)	(5,900)	-	(49,027)
At 31 March 2019	23,816	89,119	159,905	94,627	-	367,467
Adoption of FRS 116 at 1 April 2019	-	-	-	-	235,758	235,758
Adjusted balance at 1 April 2019	23,816	89,119	159,905	94,627	235,758	603,225
Additions	2,244	16,786	71,992	4,340	852,122	947,484
Derrecognised	-	-	-	-	(212,296)	(212,296)
Written-off/disposal	-	(7,700)	-	(2,500)	-	(10,200)
At 31 March 2020	26,060	98,205	231,897	96,467	875,584	1,328,213
Accumulated depreciation						
At 1 April 2018	18,155	71,052	133,339	93,972	-	316,518
Depreciation (Note 23)	986	8,946	17,256	2,220	-	29,408
Written-off	(4,610)	(36,149)	(2,368)	(5,900)	-	(49,027)
At 31 March 2019	14,531	43,849	148,227	90,292	-	296,899
Depreciation (Note 23)	2,192	15,457	12,709	1,165	301,317	332,840
Derrecognised	-	-	-	-	(212,296)	(212,296)
Written-off/disposal	-	(7,700)	-	(2,500)	-	(10,200)
At 31 March 2020	16,723	51,606	160,936	88,957	89,021	407,243
Carrying amount						
At 31 March 2019	9,285	45,270	11,678	4,335	-	70,568
At 31 March 2020	9,337	46,599	70,961	7,510	786,563	920,970

ROU assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 28.

9. Investments at amortised cost

	<u>2020</u> S\$	<u>2019</u> S\$
At amortised cost		
Quoted bonds	15,032,500	18,032,500
Less: Amortisation of bonds	(56,945)	(54,180)
	<u>14,975,555</u>	<u>17,978,320</u>
Maturing:		
Within 1 year	3,003,617	3,000,000
After one year but within five years	8,971,938	3,012,045
Later than five years	3,000,000	11,966,275
	<u>14,975,555</u>	<u>17,978,320</u>

Investments at amortised cost represents investments in quoted bonds issued by statutory boards and government-linked companies, with a fixed interest rate of 2.250% to 4.300% (2019: 2.223% to 4.300%) per annum and maturity date of 31 August 2020 to 24 January 2028 (2019: 28 May 2019 to 24 January 2028), and are denominated in Singapore dollar as at reporting date.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

9. Investments at amortised cost (Continued)

The change in amortisation is as follows:

	2020 S\$	2019 S\$
Balance at 1 April	54,180	51,623
Amortisation charged to income and expenditure (Note 24)	2,765	2,557
Balance at 31 March	<u>56,945</u>	<u>54,180</u>

The effective interest rates per annum for the bonds were as follows:

	2020 %	2019 %
Quoted bonds	<u>2.50</u>	<u>2.59</u>

The fair value of investments at amortised cost is based on the closing bid price at the end of the financial year as follows:

	2020 S\$	2019 S\$
Quoted bonds	<u>15,549,360</u>	<u>18,022,950</u>

10. Investment at fair value through profit or loss ("FVPL")

	2020 S\$	2019 S\$
Balance at 1 April	3,061,680	3,055,260
Fair value changes recognised in income and expenditure	(57,660)	6,420
Balance at 31 March	<u>3,004,020</u>	<u>3,061,680</u>

These represent investment in non-cumulative non-convertible perpetual capital securities issued by a bank but may be redeemed at the option of the bank on 18 May 2021 or any distribution payment date thereafter or upon the occurrence of a tax event or certain redemption events.

The capital securities bear a fixed distribution rate of 4% per annum, subject to a reset on 18 May 2021 (and every five years thereafter) to a rate equal to the prevailing five-year Singapore Dollar SOR plus the initial margin of 2.035%. Distributions are payable semi-annually on 18 May and 18 November of each year, unless cancelled by the bank at its sole discretion or unless the bank has no obligation to pay the distributions.

The fair value of these capital securities is based on the published indicative value as provided by the bank at the end of the reporting period. The underlying assets of these capital securities consist of investment in equity instruments with a bank listed in Singapore Exchange Securities Trading Limited.

Investment at FVPL are denominated in Singapore dollar as at reporting date.

Investment in capital securities have been mandatorily measured at FVPL.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

11. Conservancy and service fees receivables

	<u>2020</u>	<u>2019</u>
	S\$	S\$
Conservancy and service fees receivables	3,042,005	2,837,407
Add: Interest receivable on late payments	113,356	109,828
	<u>3,155,361</u>	<u>2,947,235</u>
Less: Allowance for doubtful receivables	<u>(1,997,717)</u>	<u>(1,739,359)</u>
	<u>1,157,644</u>	<u>1,207,876</u>

Conservancy and service fees receivables are generally on 30 (2019: 30) days' credit terms. Penalty fee is charged on the outstanding balances.

Allowances made in respect of estimated irrecoverable amounts are determined by reference to past default experience. If repeated reminders and letters of demand to settle overdue payments fail to yield results, the Town Council will write off the debts on a case-by-case basis.

The carrying amount of conservancy and service fees receivables individually determined to be impaired is as follows:

	<u>2020</u>	<u>2019</u>
	S\$	S\$
Past due for 9 months or above	<u>1,997,717</u>	<u>1,739,359</u>

Movements in the allowance for doubtful receivables are as follows:

	<u>2020</u>	<u>2019</u>
	S\$	S\$
Balance at 1 April	1,739,359	1,668,766
Allowance charged to income and expenditure (Note 23)	270,498	94,767
Allowance utilised	(11,650)	(23,521)
Charge to Sinking Fund – LUP debtors	(490)	(653)
Balance at 31 March	<u>1,997,717</u>	<u>1,739,359</u>

Conservancy and service fees receivables are denominated in Singapore dollar as at reporting date.

12. Other receivables

	<u>2020</u>	<u>2019</u>
	S\$	S\$
Deposits	545,361	543,905
GST Subvention receivable	560,543	562,633
Interest receivable	784,589	696,670
Goods and services tax receivable	429,696	-
LRF Matching Grant receivable	1,154,594	3,167,466
Prepayments	335,109	359,525
Receivables from CCC	7,570,324	2,931,816
Receivables from HDB	89,222	511,139
Receivables from SP Services	602,443	1,598,134
Selective Lift Replacement Programme funding receivables (Note 6(iii)) *	-	103,655
Service and Conservancy Charges Operating Grant receivable	23,353	111,180
Other receivables	30,677	15,349
	<u>12,125,911</u>	<u>10,601,472</u>

Other receivables are denominated in Singapore dollar as at reporting date.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

12. Other receivables (Continued)

* Selective Lift Replacement Programme funding receivables / (advances) comprise the following:

	<u>2020</u> S\$	<u>2019</u> S\$
Balance at 1 April	103,655	(72,558)
Funding from government	(300,771)	-
Selective Lift Replacement Programme expenditure at 50%	197,116	176,213
Movement during the financial year	(103,655)	176,213
Balance at 31 March	<u>-</u>	<u>103,655</u>

13. Neighbourhood Renewal Programme ("NRP") funding receivables

	<u>2020</u> S\$	<u>2019</u> S\$
Balance at 1 April	2,202,898	1,598,706
Funding from government	(2,162,688)	(6,252,920)
Payment to contractors	1,964,928	7,225,073
Improvement works on NRP completed projects transferred to statement of income and expenditure	-	(367,961)
Movement during the financial year	(197,760)	804,192
Balance at 31 March	<u>2,005,138</u>	<u>2,202,898</u>

NRP funding receivables are denominated in Singapore dollar as at reporting date.

14. Sport-In-Precinct Programme ("SIP") funding receivables

	<u>2020</u> S\$	<u>2019</u> S\$
Balance at 1 April	923,890	991,460
Funding from government	(1,271,859)	(1,880,906)
Payment to contractors	1,365,777	1,813,336
Movement during the financial year	93,918	(67,570)
Balance at 31 March	<u>1,017,808</u>	<u>923,890</u>

SIP funding receivables are denominated in Singapore dollar as at reporting date.

JURONG-CLEMENTI TOWN COUNCIL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

15. Electrical Load Upgrading Programme ("ELUP") funding receivables / (received in advance)

	<u>2020</u> S\$	<u>2019</u> S\$
Balance at 1 April	(958,432)	(681,086)
Funding from government	(1,077,587)	(3,560,332)
Payment to contractors	1,714,047	2,884,684
Improvement works on ELUP completed projects transferred to statement of income and expenditure	-	(11,938)
Administrative fees earned on ELUP projects transferred to statement of income and expenditure (Note 21)	668,832	410,240
Movement during the financial year	1,305,292	(277,346)
Balance at 31 March	<u>346,860</u>	<u>(958,432)</u>

ELUP funding receivables / (received in advance) are denominated in Singapore dollar as at reporting date.

16. Cash and bank balances

	<u>2020</u> S\$	<u>2019</u> S\$
Cash and bank balances	22,268,477	12,426,097
Fixed deposits with financial institutions	<u>96,399,563</u>	<u>88,980,101</u>
	<u>118,668,040</u>	<u>101,406,198</u>
Fixed deposits maturing:		
- Within 3 months	48,520,132	31,898,451
- Between 3 to 12 months	<u>47,879,431</u>	<u>57,081,650</u>
	<u>96,399,563</u>	<u>88,980,101</u>

Fixed deposits are placed for varying periods from one to eleven (2019: one to eleven) months, bear interest rates ranging from 0.25% to 2.05% (2019: 0.25% to 2.30%) per annum. The weighted average effective interest rates per annum relating to fixed deposits is 1.72% (2019: 1.87%).

Pledged fixed deposit was made in favour of a lessor in respect of certain leased premises as stipulated in the lease agreement.

Cash and bank balances are denominated in Singapore dollar as at reporting date.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at the end of the financial year:

	<u>2020</u> S\$	<u>2019</u> S\$
Cash and fixed deposits	118,668,040	101,406,198
Fixed deposits pledged	-	(80,875)
Short term fixed deposits with maturity more than 3 months	(47,879,431)	(57,081,650)
Cash and cash equivalents	<u>70,788,609</u>	<u>44,263,873</u>

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

17. Lease liabilities

	<u>2020</u> S\$
Undiscounted lease payments due:	
- Year 1	306,000
- Year 2	294,000
- Year 3	<u>214,000</u>
	814,000
Less: Unearned interest cost	<u>(24,885)</u>
	<u>789,115</u>
Presented in the statement of financial position as:	
- non-current liabilities	498,128
- current liabilities	<u>290,987</u>
	<u>789,115</u>

The movement in the lease liabilities during the financial year is presented below:

Adoption of FRS 116 at 1 April 2019	235,758
Add: Recognition of lease liabilities during the financial year	852,122
Accretion of interest (Note 23)	<u>7,235</u>
	1,095,115
Less: Principal repayment	(298,765)
Interest paid	<u>(7,235)</u>
	<u>789,115</u>

The Town Council leases office premises from non-related parties under non-cancellable lease agreements. There are no restrictions placed upon the Town Council by entering into these contracts.

There are no lease expenses not capitalised in lease liabilities but recognised in the income and expenditure.

The cash flows for all leases (including interest paid) in the year amounted to S\$306,000.

As at 31 March 2020, the Town Council has no lease commitments at the reporting date.

The Town Council's lease liabilities are secured by the lessors' title to the leased assets.

Information about the Town Council's leasing activities are disclosed in Note 28.

Further information about the financial risk management are disclosed in Note 30.

Lease liabilities are denominated in Singapore dollar as at reporting date.

JURONG-CLEMENTI TOWN COUNCIL**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020****18. Payables and accrued expenses**

	<u>2020</u> S\$	<u>2019</u> S\$
Accrued operating expense	1,673,459	2,155,443
Amount payable to managing agent	730,441	761,588
Goods and services tax payable	-	171,612
Payable to contractors	7,583,221	7,061,283
Payable to contractors under Selective Lift Replacement Programme	-	24,535
Refundable deposits	353,761	201,041
Other payables	382,932	357,464
	<u>10,723,814</u>	<u>10,732,966</u>

Payables are generally on 30 to 90 (2019: 30 to 90) days' credit terms.

Payables and accruals expenses are denominated in Singapore dollar as at reporting date.

19. Income tax

	<u>2020</u> S\$	<u>2019</u> S\$
Current income tax		
- Current	799,287	574,143
- Overprovision in prior financial years	(3,481)	(3,666)
Tax expense	<u>795,806</u>	<u>570,477</u>
Taken up in:		
Accumulated Surplus (Note 4)	459,368	332,803
Sinking Fund (Note 5)	242,523	188,222
Lift Replacement Fund (Note 6)	93,915	49,452
	<u>795,806</u>	<u>570,477</u>

The Town Council is incorporated in Singapore and accordingly is subject to income tax rate of 17% (2019: 17%). There were no changes in the enterprise income tax of the difference applicable jurisdictions in the current financial year from the last financial year.

The Town Council enjoys a concessionary tax rate of 10% (2019: 10%) for the interest income earned from qualifying debt securities determined by Monetary Authority of Singapore.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

19. Income tax (Continued)

Reconciliation of effective tax rate is as follows:

	<u>2020</u> S\$	<u>2019</u> S\$
Taxable income:		
Investment and interest income	2,543,549	1,955,539
Government grant income	25,085,256	22,584,321
Other income	2,377,777	1,675,976
	<u>30,006,582</u>	<u>26,215,836</u>
	<u>2020</u> S\$	<u>2019</u> S\$
Income tax at statutory rate of 17%	5,101,119	4,456,692
Tax effect on concessionary income	(37,338)	(41,145)
Singapore statutory stepped income exemption	(17,425)	(17,425)
Tax remission of government grants under Section 92 (2) of Singapore Income Tax Act	(4,249,663)	(3,823,979)
Over-provision in prior financial years	(3,481)	(3,666)
Others	2,594	-
Tax expense	<u>795,806</u>	<u>570,477</u>

Movements in the income tax payable are as follows:

	<u>2020</u> S\$	<u>2019</u> S\$
Balance at 1 April	888,380	755,540
Payments made during the financial year	(521,246)	(437,637)
Current financial year's income tax expense	799,287	574,143
Overprovision in prior financial years	(3,481)	(3,666)
Balance at 31 March	<u>1,162,940</u>	<u>888,380</u>

20. Agency fees

These are fees received for routine maintenance of HDB's carparks in the Town.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

21. Other Income

	<u>2020</u>	<u>2019</u>
	<u>S\$</u>	<u>S\$</u>
Interest on late payment of conservancy and service fees	84,709	86,429
Administrative fees earned on ELUP projects (Note 15)	668,832	410,240
Liquidated damages	158,790	120,669
Net profit from push cart project	23,191	30,284
Sundry fines	54,360	61,529
Temporary occupation licences	2,766,154	2,501,447
Usage of void deck, water, electricity and common property	275,725	346,424
Others	161,600	156,835
	<u>4,193,361</u>	<u>3,713,857</u>

22. Managing agent's fees

The Town Council's management of its daily operations has been outsourced to a managing agent.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

23. General and administrative expenditure

	<u>2020</u> S\$	<u>2019</u> S\$
Advertising, publicity and public relations	438,123	259,877
Allowance for doubtful receivables (Note 11)	270,498	94,767
Computing service	268,135	249,324
Depreciation of property, plant and equipment (Note 8)	332,840	29,408
Fees and other charges	125,508	147,004
Interest Expense (Note 17)	7,235	-
Irrecoverable goods and services tax *	776,650	680,416
Office rental	-	307,164
Upkeep expenditure	62,598	78,477
Offices supplies and stationery	172,375	187,255
Property, plant and equipment not capitalised	5,713	19,152
Gain on disposal of property, plant and equipment	(100)	(1,000)
Professional fee	67,440	39,000
Property tax	281,494	258,758
Staff costs (including key management personnel remuneration disclosed in Note 29)		
- Salaries and related costs	1,436,483	1,332,965
- Employers' contribution defined contribution plan	132,285	118,884
Town Councillors' allowances (Note 29)	306,900	307,200
Others	146,691	136,339
	<u>4,830,868</u>	<u>4,244,990</u>

* Government grant received by the Town Council are considered non-taxable supplies. Therefore, input tax claimable is based on a formula determined by the Inland Revenue Authority of Singapore. The unclaimable portion is charged to income and expenditure during the financial year.

24. Investment and interest income

	<u>2020</u> S\$	<u>2019</u> S\$
Current accounts	63,976	63,279
Structured deposits	-	24,000
Investments at amortised cost	413,076	467,792
Investment at fair value through profit or loss	120,329	120,000
Fixed deposits	1,946,168	1,280,468
Amortisation of bonds (Note 9)	(2,765)	(2,557)
Net gain on fair value changes		
- Investment at fair value through profit or loss (Note 10)	(57,660)	6,420
- Financial assets at fair value through profit or loss	-	39,000
	<u>2,483,124</u>	<u>1,998,402</u>
Taken up in:		
Accumulated Surplus (Note 4)	331,212	296,766
Sinking Fund (Note 5)	1,555,485	1,365,510
Lift Replacement Fund (Note 6)	596,427	336,126
	<u>2,483,124</u>	<u>1,998,402</u>

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

25. Government grants

(i) Government grants taken to income and expenditure during the financial year are as follows:

	<u>Note</u>	<u>2020</u> S\$	<u>Total</u> <u>2019</u> S\$
Government grants received/receivable			
Service and Conservancy Charges Operating Grant		8,533,191	8,471,800
Payments from Citizens' Consultative Committee		7,660,296	3,298,222
GST Subvention		2,247,529	2,229,560
Lift Maintenance Grant		1,293,600	1,287,600
LRF Matching Grant		5,350,640	7,297,139
	4	25,085,256	22,584,321
Less: Transfers to Sinking Fund			
Service and Conservancy Charges Operating Grant		(2,218,630)	(2,202,668)
GST Subvention		(584,361)	(579,688)
Lift Maintenance Grant		(336,337)	(334,777)
	4, 5	(3,139,328)	(3,117,133)
Less: Transfers to Lift Replacement Fund			
Service and Conservancy Charges Operating Grant		(1,194,647)	(1,186,052)
GST Subvention		(314,657)	(312,140)
Lift Maintenance Grant		(181,105)	(180,265)
	4, 6	(1,690,409)	(1,678,457)
LRF Matching Grant	4, 6	(5,350,640)	(7,297,139)
		(7,041,049)	(8,975,596)
Less: Transfers to Town Improvement and Project Fund			
Payments from Citizens' Consultative Committee	4, 7	(7,660,296)	(3,298,222)
		<u>7,244,583</u>	<u>7,193,370</u>

(ii) The total amount of grants received (including grants received in advance) since the formation of the Town council is as follows:

	<u>2020</u> S\$	<u>2019</u> S\$
Total grants received at 1 April	212,814,607	194,017,710
Add: Grants received during the financial year		
Service and Conservancy Charges Operating Grant	8,621,018	8,444,997
Payments from Citizens' Consultative Committee	2,919,064	1,159,314
GST Subvention	2,249,619	2,191,725
Lift Maintenance Grant	1,293,600	1,287,600
LRF Matching Grant	7,363,512	5,713,261
	<u>22,446,813</u>	<u>18,796,897</u>
Total grants received at 31 March	<u>235,261,420</u>	<u>212,814,607</u>

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

26. Capital commitments

Capital expenditures approved by the Town Council but not provided for in the financial statements as at reporting date are as follows:

	<u>2020</u> S\$	<u>2019</u> S\$
Amount approved and contracted for	26,402,770	30,729,968
Amount approved but not contracted for	<u>36,365,428</u>	<u>42,557,940</u>
	<u>62,768,198</u>	<u>73,287,908</u>

Included in the amount approved and contracted for is the cost for Neighbourhood Renewal Programme works amounting to S\$4,020,648 (2019: S\$8,255,908).

27. Operating lease commitments

At 31 March 2019, the Town Council was committed to make the following lease payments under non-cancellable operating leases in respect of the office premises with an original term of more than one year as follows:

	<u>2019</u> S\$
Future minimum lease payments payable:	
Within one year	451,574
After one year but within five years	<u>30,902</u>
	<u>482,476</u>

The lease expenditure charged to income and expenditure during prior financial year is disclosed in Note 23 to the financial statements.

As disclosed in Note 2.1, the Town Council has adopted FRS 116 on 1 April 2019. These lease payments in respect of the office premises have been recognised as ROU assets and lease liabilities on the statement of financial position as at 31 March 2020.

28. Leases

The Town Council leases office premises from non-related parties under non-cancellable lease agreements. There are no restrictions placed on the Town Council by entering into these contracts.

The leases for office premises contain extension periods for which the related lease payments have not been included in lease liabilities as these extension options are at the sole discretion of the lessor.

Town Council as lessee

ROU assets classified within property, plant and equipment

	<u>2020</u> S\$	<u>2019</u> S\$
(a) Carrying amounts of leased premises (Note 8)	<u>786,563</u>	<u>235,758</u>

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

28. Leases (Continued)

Town Council as lessee (Continued)

ROU assets classified within property, plant and equipment (Continued)

	<u>2020</u> S\$
(b) Depreciation charge during the financial year - leased premises	<u>301,317</u>
(c) Addition of ROU assets during the financial year - leased premises	<u>852,122</u>

29. Significant related party transactions

The Town Council is managed by the managing agent, C&W Services Township Pte Ltd. Related party relates to the managing agent who manages the operations of the Town Council and provides key management personnel services to the Town Council.

During the financial year, in addition to those disclosed elsewhere in these financial statements, the Town Council entered into the following transactions with the managing agent and its related entities:

	<u>2020</u> S\$	<u>2019</u> S\$
Expenditure paid to managing agent in relation to:		
Managing agent's fee	4,343,052	4,153,312
Project management fee	1,292,625	1,111,648
Reimbursement for advertising fee and other expenses	<u>1,853</u>	<u>4,735</u>
Expenditure paid to entities related to the managing agent:		
Enforcement service fee	191,636	177,996
Lift, pump and fire protection maintenance fee	429,454	341,544
Essential Maintenance Service Unit (EMSU) fee	965,434	959,692
Reimbursement for advertising fee	<u>-</u>	<u>1,759</u>

Entities related to the management agent in these financial statements refer to those entities that are under the same common control as the management agent.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Town Council, directly or indirectly, including any Town Councillors (whether executive or otherwise) of that Town Council.

The Town Council pays monthly fees to C&W Services Township Pte Ltd and incurs manpower and related costs such as Town Councillors' allowances and staff costs as disclosed in Note 23.

The General Manager and Deputy General Manager employed directly by the Town Council are key management personnel of the Town Council.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

29. Significant related party transactions (continued)

The allowances paid to the Town Councillors and the compensation paid to the General Manager and Deputy General Manager are disclosed as below.

	<u>2020</u> S\$	<u>2019</u> S\$
Town Councillors' allowance (Note 23)	306,900	307,200
Salaries and related costs	450,528	456,212
Employers' contribution defined contribution plan	20,910	20,974
	<u>778,338</u>	<u>784,386</u>

30. Financial instruments and financial risks

The Town Council's financial instruments comprise cash and bank balances, and various items including investment in financial assets, conservancy and service fees receivables, other receivables, NRP funding receivables, SIP funding receivables, ELUP funding receivables, payables and accrued expenses and lease liabilities that arise from its operations.

The main risks arising from the Town Council's financial instruments are credit risk and market risk. The Town Council is not exposed to foreign exchange risk. There is no significant liquidity risk as sufficient cash is maintained. Risk management policies and systems are reviewed regularly to reflect changes in the operational environment and market conditions.

There have been no changes since the last financial year to the Town Council's exposure to these financial risk or the manner in which it manages and measures the risk.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Town Council. Town Council performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

Town Council's major classes of financial assets are investments in financial assets, bank deposits, conservancy and service fee receivables, other receivables and funding receivables from various programmes.

Investment in bonds issued by statutory boards and corporate bonds are of good credit standing.

Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

Conservancy and service fee receivables consist of a large number of household owners, thus the Town Council do not have any significant credit exposure to any single counterparty or any groups of counterparties having similar characteristics.

Funding receivables from various programmes are from statutory boards of good credit standing.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

30. Financial instruments and financial risks (continued)

Credit risk (Continued)

The age analysis of conservancy and service fee receivables past due but not impaired is as follows:

	2020 S\$	2019 S\$
Not past due	407,199	416,454
Past due for 1 to 2 months	283,818	313,660
Past due for 3 to 5 months	253,615	220,784
Past due for 6 months and above	213,012	256,978
	<u>1,157,644</u>	<u>1,207,876</u>

The movements in the allowance for impairment in respect of conservancy and service fee receivables during the financial year are disclosed in Note 11 to the financial statements.

Based on past experience, except for certain conservancy and service fee receivables balances that impaired, the management believes that it will be collectible in the foreseeable future as a result of recovery efforts and based on historical experience, adjusted for forward-looking factors specific to the receivables and the economic conditions.

For receivables, an ongoing credit evaluation is performed on the financial conditions of the receivables and losses on impairment are recognised in income or expenditure. The allowance for doubtful conservancy and service fees receivables totalling \$1,997,717 (2019: \$1,739,359) has been determined at the reporting date.

The tables below detail the credit quality of the Town Council's receivables as well as maximum exposure to credit risk by credit risk rating grades:

Town Council	Internal credit rating	12-month / Lifetime ECL	Gross carrying amount S\$	Loss allowance S\$	Net carrying amount S\$
31 March 2020					
Conservancy and service fees receivables (Note 11)	(1)	Lifetime ECL (Simplified approach)	3,155,361	(1,997,717)	1,157,644
Other receivables (Note 12)	(2)	Performing	12,125,911	-	12,125,911
NRP funding receivables (Note 13)	(2)	Performing	2,005,138	-	2,005,138
SIP funding receivables (Note 14)	(2)	Performing	1,017,808	-	1,017,808
ELUP funding receivables (Note 15)	(2)	Performing	346,860	-	346,860
31 March 2019					
Conservancy and service fees receivables (Note 11)	(1)	Lifetime ECL (Simplified approach)	2,947,235	(1,739,359)	1,207,876
Other receivables (Note 12)	(2)	Performing	10,601,472	-	10,601,472
NRP funding receivables (Note 13)	(2)	Performing	2,202,898	-	2,202,898
SIP funding receivables (Note 14)	(2)	Performing	923,890	-	923,890

(1) For conservancy and service fees receivable, the Town Council has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The Town Council determines the expected credit losses on these receivables by reference to their historical credit loss experience based on the past due status of the debtors, adjusted for forward looking factors specific to the receivables and the economic conditions.

(2) The counterparty has a low risk of default.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

30. Financial instruments and financial risks (Continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Town Council's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Town Council is not exposed to foreign currency risk as the transactions are denominated in Singapore dollar, which is the functional currency of the Town Council.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Town Council's exposure to interest rate risk relates primarily to interest-earning fixed deposits with financial institutions and investments in government and corporate bonds. The Town Council's surplus funds are placed with reputable financial institutions or invested in Singapore government bonds. The exposure to interest rate risk is minimal since the deposits are with fixed rate of interest throughout the term.

Equity price risk

Equity price risk is applicable to investments in equity shares or similar instruments. The Town Council is exposed to equity price risk arising from its investments in non-cumulative non-convertible perpetual capital securities classified as investments at fair value through profit or loss.

If the fair value had been 2% (2019: 2%) lower/higher with all other variables held constant, the Town Council's Sinking Fund balance for the financial year would have been \$60,080 (2019: \$61,234) higher/lower, arising as a result of higher/lower fair value gain/losses on investments.

Liquidity risk

Liquidity risks refer to the risks in which the Town Council encounters difficulties in meeting its short-term obligations. The Town Council manages the liquidity risk by maintaining sufficient cash, internally generated cash flows, as well as on basis of expected payment dates of the financial liabilities.

The Town Council's operations are partially supported by various government grants from government and the Town Council is satisfied that funds for operations are available as and when required.

It is expected that all the liabilities will be paid when due. The Town Council expects to meet its cash commitments with cash inflows from operating activities and government grants.

The contractual undiscounted cash flows of the non-derivative financial instruments due within 12 months equal their carrying amounts as the impact of discounting is not significant, except for investments at amortised cost disclosed in Note 9.

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

30. Financial Instruments and financial risks (Continued)

Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statement of financial position and as follows:

	Note	2020 S\$	2019 S\$
Investment at fair value through profit or loss	10	<u>3,004,020</u>	<u>3,061,680</u>
<i>Financial assets at amortised cost</i>			
Investments at amortised cost	9	14,975,555	17,978,320
Conservancy and service fees receivables	11	1,157,844	1,207,876
Other receivables	12	12,125,911	10,601,472
Less: Goods and services tax receivable	12	(429,896)	-
Less: Prepayments	12	(335,109)	(359,525)
Neighbourhood Renewal Programme funding receivables	13	2,005,138	2,202,898
Sport-in-Precinct Programme funding receivables	14	1,017,808	923,890
Electrical Load Upgrading Programme funding receivables	15	346,860	-
Cash and bank balances	16	<u>118,668,040</u>	<u>101,406,198</u>
Total		<u>149,532,151</u>	<u>133,961,129</u>
<i>Financial liabilities at amortised cost</i>			
Electrical Load Upgrading Programme funding received in advance	15	-	958,432
Lease liabilities	17	789,115	-
Payables and accrued expenses	18	10,723,814	10,732,966
Less: Goods and services tax payable	18	-	(171,612)
Total		<u>11,512,929</u>	<u>11,519,786</u>

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

31. Fair value of financial assets and liabilities

The carrying amounts of cash and bank balances, conservancy and service fees receivables and other current receivables and payables approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair values of applicable assets and liabilities are determined and categorised using a fair value hierarchy as follows:

- (a) Level 1 – the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Town Council can access at the measurement date are determined with reference to quoted market prices (unadjusted).
- (b) Level 2 – in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets or liabilities in active markets or included within Level 1, quoted prices for identical or similar assets or liabilities in non-active markets.
- (c) Level 3 – in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Financial assets carried at fair value or at amortised cost for which fair value is disclosed are as follows:

	<u>2020</u> S\$	<u>2019</u> S\$
Financial assets		
Investments at amortised cost (Note 9)	15,549,360	18,022,950
Investment at fair value through profit or loss (Note 10)	3,004,020	3,061,680

The fair value of the above investments are categorised as Level 1.

32. Funds management

The Town Council's objectives when managing funds are:

- (i) to safeguard the Town Council's ability to continue as going concern;
- (ii) to provide resources to sustain future development; and
- (iii) to provide funds for the purpose of strengthening the Town Council's risk management capability.

The Town Council actively and regularly reviews and manages its funding structure to ensure optimal funding structure, taking into consideration the future funding requirements, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

There were no changes in the Town Council's approach to funds management from 31 March 2019.

The Town Council is not subjected to any externally imposed capital requirements during the financial years ended 31 March 2020 and 2019.

As at the end of the reporting period, the Town Council's total funds amounted to \$140,535,629 (2019: \$123,431,622).

JURONG-CLEMENTI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

33. Events occurring after the reporting period

Impact of COVID-19

On 31 January 2020, the World Health Organisation announced the Coronavirus Disease (COVID-19) outbreak as a global health emergency. Singapore raised its Disease Outbreak Response System Condition (DORSCON) level to orange on 7 February 2020 in response to the heightened risks posed by the COVID-19 outbreak. Additional precautionary measures were implemented, including additional precautions for largescale events and enhanced business continuity capability at workplaces. The measures taken to contain the spread of the pandemic have impacted the Town Council's operations and its financial performance subsequent to the financial year end.

The Singapore Multi-Ministry Taskforce implemented an elevated set of safe distancing measures as a circuit breaker from 7 April 2020, to pre-empt the trend of increasing local transmission of COVID-19. Except for those providing essential services and selected economic sectors which are critical for our local and the global supply chains, all businesses are required to suspend all in-person activities and activities at the business location. As the Town Council provides essential services, the Town Council continued operations at 4 main business location but suspended operations at one of its collection centre. The Town Council implemented safe distancing measures at the wet markets and market produce shops and co-share the costs of crowd control measures with Merchants Associations and Hawker Associations. The Town Council also geared up the cleaning regime and set up barricade at the estates. As a result, the Town Council expects to incur higher operating expenditure.

To help owners and tenants of commercial shops, offices, market and food stalls to cushion the economic impact of the coronavirus pandemic, the Town Council gave a 15% rebate of 4 months on service and conservancy charge. The Town Council also waived penalty on late payment of service and conservancy charge. Additional expected credit losses on receivables may need to be recognised due to a decline in the repayment ability of conservancy and service fees debtors.

Transfer of surpluses to sinking funds after Parliamentary Election 2020

Under Section 34 of the Act, where a writ of election is issued, Town Councils are required to transfer the excess of revenue over expenditure (referred to as surpluses) in any fund (other than a sinking fund) established under Section 33 of the Act to the sinking funds of that Town Council. Rule 4A of the Town Councils Financial Rules set out the manner to determine the Town Councils' transferable surpluses:-

- (a) Operating Fund established for residential property and commercial property, respectively, is transferred in the following proportions:
 - (i) 65% to Sinking Fund established for that residential property and commercial property, respectively;
 - (ii) 35% to Lift Replacement Fund established for that residential property and commercial property, respectively.
- (b) Fund established for the management and maintenance of parking places is transferred in the following proportions:
 - (i) 65% to Sinking Fund established for the residential property;
 - (ii) 35% to Lift Replacement Fund established for the residential property.

By virtue of the writ of election issued on 23 June 2020, a general election was called on 10 July 2020. Subsequently, the Town Council effected a transfer of \$3,263,881 and \$1,757,475 from Operating Fund to Ordinary Sinking Fund and Lift Replacement Fund, respectively.

The Town Council also effected a transfer of \$542,501 and \$292,116 from Operating Fund to Ordinary Sinking Fund and Lift Replacement Fund, respectively, for tenders not awarded within the deadline for CIPC funded town improvement works.