

RESOLUTION NO. 2025-21

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SAN MIGUEL COMMUNITY SERVICES DISTRICT ESTABLISHING A STALE
CHECK AND UNCLAIMED FUNDS POLICY**

WHEREAS, San Miguel Community Services District ("District") is a community services district formed under California Government Code section 61000 et. seq. to provide community services within the District's service area, including water, sewer, lighting, solid waste, and fire protection services; and

WHEREAS, California Government Code section 50050 et seq. establishes procedures for local government agencies to manage and dispose of unclaimed money in their custody, including uncashed (stale-dated) checks or other funds held for the benefit of third parties; and

WHEREAS, from time to time the District receives or holds checks and other payments that are not negotiated by the payee or claimed by the person entitled thereto, resulting in stale-dated checks or unclaimed funds being held in the District's accounts; and

WHEREAS, the Board of Directors ("Board") desires to standardize the District's approach for handling stale or unclaimed checks and funds in a manner that complies with state law and ensures that unclaimed monies are either returned to their rightful owners or, if unclaimed after due diligence and statutory waiting periods, utilized for the benefit of the public; and

WHEREAS, District staff has prepared a Stale Check and Unclaimed Funds Policy, attached hereto as Exhibit A and incorporated herein by this reference, which sets forth the procedures and guidelines for identifying, tracking, and disposing of stale checks and unclaimed funds in accordance with Government Code section 50050 et seq.; and

WHEREAS, the Board has reviewed the proposed policy and determined that its adoption is in the best interest of the District and the community to ensure proper financial administration and legal compliance.

NOW THEREFORE, BE IT RESOLVED, the Board does, hereby, find and declare that:

1. The Board hereby approves and adopts the Stale Check and Unclaimed Funds Policy attached as Exhibit A to this Resolution as the official policy of the District governing the handling of stale-dated checks and unclaimed monies.
2. The Board hereby authorizes the General Manager to make non-substantive edits to the formatting or numbering of the Policy if needed for clarity, so long as the content and intent remain as approved by the Board. Such administration shall be performed in accordance with Government Code section 50050 et seq. and the provisions of the adopted Policy.
3. The Board finds that adoption of the Stale Check and Unclaimed Funds Policy is necessary for the prudent management of District finances and to comply with state law. The Board further finds that the procedures set forth in the Policy are fair and in the public interest.

4. This Resolution shall take effect immediately upon its adoption.

On the motion of Director **Smiley** seconded by Director **Sangster** and on the following roll call vote, to wit:

AYES: Smiley, Green, Davis, Beatty, Sangster

NOES: 0

ABSENT: 0

ABSTAINING: 0

The foregoing Resolution is hereby passed and adopted this 26th day of June 2025.

Kelly Dodds

Kelly Dodds, General Manager

Ashley Sangster

Ashley Sangster, Board President

ATTEST:

Tamara Parent

Tamara Parent
Board Clerk

APPROVED AS TO FORM:

Christina M. Pritchard

Christina M. Pritchard,
Deputy General Counsel



EXHIBIT A

Purpose

The purpose of this policy is to establish clear guidelines and procedures for handling stale-dated checks and unclaimed funds held by the San Miguel Community Services District (“District”). This policy ensures accurate financial reporting, compliance with California Government Code sections 50050 through 50057 regarding unclaimed money, safeguards the rights of rightful owners of funds, and provides a mechanism for the District to lawfully take possession of unclaimed monies after the required period and due diligence. The ultimate goal is to protect public funds through proper accounting while giving claimants adequate opportunity to claim their money.

Scope

This policy applies to all departments of the District and covers all monetary assets held by the District that belong or may belong to individuals or entities outside the District. This policy applies to all checks issued by the District, including, but not limited to, vendor payments, payroll checks, customer refunds, deposit returns, and any other disbursements that remain uncashed or unclaimed beyond the statutory period. It also covers credit balances or refundable customer deposits that have not been claimed. This policy is intended to complement and adhere to state law requirements; in case of any conflict, California law will prevail.

Definitions

- A. For purposes of this policy, the following definitions apply:
1. **Stale Check:** A check is considered stale after six (6) months if it remains uncashed or undeposited. However, legal unclaimed status for purposes of escheatment is reached no earlier than three (3) years from the check issue date.
 2. **Unclaimed Funds:** Money owed by the District to individuals or entities that have not been claimed by the owner. Under California law, such funds are considered unclaimed after a three-year dormancy period, at which point the District may initiate the procedures to take ownership if the owner is not located.
 3. **Owner/Payee:** The person or entity to whom the District’s check was made payable, or who is entitled to the funds.

Procedures for Handling Stale Checks

- A. The following procedures shall be followed for identifying, notifying, and disposing of stale checks and unclaimed funds held by the District:
1. Identifying and Classifying Stale Checks.
 - i. **Regular Review:** The Finance Department will review outstanding checks at least quarterly. Any District-issued check that remains uncashed after 180 calendar days from the issue date shall be classified as a stale-dated check.
 1. The review should identify:

- a. Checks or funds of fifteen dollars (\$15) or more that have been unclaimed for three (3) years or longer from the date of issue or the date they became payable.
 - b. Checks or funds under fifteen dollars (\$15), or funds of any amount with an unknown owner, that have been unclaimed for one (1) year or longer from the date of issue or accrual.
 2. A record or list of such unclaimed items shall be prepared, including for each item: the payee or owner (if known), the amount, the date of issuance or last activity, and the fund in which the money is being held.
 - ii. Void and Reissue if Appropriate: If contact with the payee is made and the original check is lost or expired, the District will void the stale check and issue a new one. Proper controls will ensure the original check cannot be cashed if found, e.g. a stop payment may be placed if necessary.
 - iii. Unclaimed Funds Account: If a check remains uncashed and the payee cannot be contacted or does not respond, the funds shall remain in the District's treasury as a liability. The original checking account entry may be cleared by voiding the check, and the amount moved into a designated "Unclaimed Funds" liability account. This account holds the money in trust for the owner until claim or until legal abandonment. The record will still associate the amount with the original payee for future reference.
2. Due Diligence – Efforts to Contact Payee/Owner.
- i. Prior to formal public notification or transfer of funds, the District may attempt to contact the apparent owner of unclaimed fund to give a written notice. The notice should inform the owner of the unclaimed amount and how to claim it.
 - ii. The District will make good faith efforts to locate and return funds to the payee once a check becomes stale or a refund is unclaimed:
 1. Mail Notice to Last Known Address: Six (6) months after the check is issued, a stop payment notice is sent to the recipient at the last known mailing address on file.
 - a. If the first notice is returned undeliverable, staff will attempt to find an updated address. If a new address is found, a second notice will be sent.
 - b. Ten (10) days after the stop payment notice is mailed, a stop payment is issued for check. If the District receives no response, the check is voided.
 2. Publish Public Notice: Fund of fifteen dollars (\$15) or more that remain unclaimed for at least three (3) years from the check issue date are considered abandoned funds. The District's treasurer shall publish a notice of the abandoned funds once a week for two successive weeks in a newspaper of general circulation within the District's jurisdiction. This notice can be published any time after the three-year period has elapsed.
 - a. Notice Contents: Notice must include the amount of each unclaimed sum, the fund in which it's held, and the final date on

which the money will become District property if not claimed. By law, the final date must be at least forty-five (45) days, but no more than sixty (60) days, after the first publication of the notice.

3. On a date no less than forty-five (45) days after the first publication of the public notice, District will reclaim the remaining funds by transferring the funds back to the accounts of origin.
4. **Transfer to Appropriate Fund:** All unclaimed monies that escheat to the District shall be deposited into the appropriate District fund. By default, funds will be returned to their fund of origin, meaning if the unclaimed money was originally from a specific enterprise or special fund, it should be recognized as revenue in that same fund (Government Code section 50053.)
5. **Late Claims:** Claims for funds that are submitted after the funds have already become District property generally will not be honored, since ownership has lawfully transferred to the District. Claimants who missed the claim period may petition the Board, but approval of any refund at that point is at the sole discretion of the Board. The District is not legally obligated to refund any money to a claimant once the funds have escheated to the District.
 - i. **Exception:** If a court order or judgment later determines a claim was wrongfully denied or the process was not correctly followed, the District will comply with the court's decision.
6. **Recordkeeping:** The Finance Officer shall maintain a file of unclaimed fund proceedings. This includes the list of unclaimed items, copies of published notices, proofs of publication, copies of claim forms received, documentation of claim approvals or denials, records of funds transferred to District ownership, and any relevant Board actions. Such records shall be kept in accordance with the District's retention schedule for financial records.
7. **Exceptions for Timeframes for Stale Checks and Unclaimed Funds:**
 - i. **Small Amounts (Under \$15):** In accordance with Government Code section 50055, any individual unclaimed amount under \$15 that remains unclaimed for at least one (1) year may be processed for escheat without the formal publication notice. The District may transfer the unclaimed amount to the accounts of origin.
 - ii. If the depositor or payee's name is unknown for any amount, those funds after one (1) year can also be transferred without notice.
 - a. The Board, by adopting this Policy and the accompanying Resolution, has authorized the transfer of these small-sum unclaimed monies to the District after one year. The Finance Officer shall document the date and amount of each such item that becomes District property under this provision. These funds

may then be removed from unclaimed liabilities and recognized as District revenue.

- iii. **Conflicting Laws:** If any state or federal laws or regulations impose different requirements for specific types of unclaimed funds, the District will adhere to the specific requirements of those laws.

8. **Policy Review and Revisions**

- i. The Board may amend this Stale Check and Unclaimed Funds Policy as needed to conform to changes in law or to improve procedures. District management shall review the effectiveness of this policy periodically and recommend any updates to the Board. Any revisions must be approved by resolution of the Board. This policy, and any future amendments, shall be maintained as an official policy document of the District.