

MFS CALIFORNIA MUNICIPAL FUND

Form N-CSRS

July 30, 2013

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF**  
**REGISTERED MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-09537

**MFS CALIFORNIA MUNICIPAL FUND**

(Exact name of registrant as specified in charter)

**111 Huntington Avenue, Boston, Massachusetts 02199**

(Address of principal executive offices) (Zip code)

**Susan S. Newton**

**Massachusetts Financial Services Company**

**111 Huntington Avenue**

**Boston, Massachusetts 02199**

(Name and address of agents for service)

Registrant's telephone number, including area code: (617) 954-5000

Date of fiscal year end: November 30

Date of reporting period: May 31, 2013

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**ITEM 1. REPORTS TO STOCKHOLDERS.**

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**SEMIANNUAL REPORT**

May 31, 2013

**MFS® CALIFORNIA MUNICIPAL FUND**

CCA-SEM

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**MFS® CALIFORNIA MUNICIPAL FUND**

NYSE MKT Symbol: CCA

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NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

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## **LETTER FROM THE CHAIRMAN AND CEO**

Dear Shareholders:

With the year almost half over, the global economy continues to grind forward slowly, weighed down by various austerity measures. The U.S. economy remains a steady

force with resilient consumers, who took the payroll tax increase in stride and did not seem fazed by the sequestration's early impact. The U.S. housing market recovery remains robust. With U.S. consumer sentiment rising to multi-year highs, the country's economic outlook remains positive, except for an anticipated mid-year sequestration-related slowdown. However, market volatility has been heightened, with renewed expectations of a shift in U.S. Federal Reserve policy and a tapering of its monthly bond-buying program.

Japan has been another bright spot, with signs of a turnaround prompted by Abenomics, the stimulus policies of Prime

Minister Shinzo Abe. Consumer and business sentiment have risen, along with prospects for exporters, who gain as a devalued yen means less expensive products overseas and boosted sales. The Japanese stock market advanced more than 30% from January through May. However, doubts remain over whether Abenomics will succeed in lifting Japan out of its long-term deflationary slump. The major deterrent to global growth remains the eurozone's chronic contraction, which has weighed on that 17-member region. China has seen its factory activity decelerate, which is worrisome news for the country's trading partners.

As always, managing risk in the face of uncertainty remains a top priority for investors. At MFS®, our uniquely collaborative investment process employs integrated, global research and active risk management. Our global team of investment professionals shares ideas and evaluates opportunities across continents, investment disciplines and asset classes—all with a goal of building better insights, and ultimately better results, for our clients.

We are mindful of the many economic challenges investors face, and believe it is more important than ever to maintain a long-term view and employ time-tested principles, such as asset allocation and diversification. We remain confident that our unique approach can serve investors well as they work with their financial advisors to identify and pursue the most suitable opportunities.

Respectfully,

**Robert J. Manning**

Chairman and Chief Executive Officer

MFS Investment Management®

July 17, 2013

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

**Table of Contents****PORTFOLIO COMPOSITION****Portfolio structure (i)(j)****Top five industries (i)**

General Obligations Schools	26.7%
Healthcare Revenue Hospitals	26.3%
State & Local Agencies	17.5%
Water & Sewer Utility Revenue	16.5%
Tax Assessment	13.3%

**Composition including fixed income credit quality (a)(i)**

AA	52.6%
A	68.3%
BBB	26.9%
BB	4.8%
B	4.6%
Not Rated (j)	3.3%
Cash & Other	(60.5)%

**Portfolio facts (i)**

Average Duration (d)	15.6
Average Effective Maturity (m)	18.3 yrs.

- (a) For all securities other than those specifically described below, ratings are assigned to underlying securities utilizing ratings from Moody's, Fitch, and Standard & Poor's rating agencies and applying the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). Securities rated BBB or higher are considered investment grade. All ratings are subject to change. Not Rated includes fixed income securities, including fixed income futures contracts, which have not been rated by any rating agency. Cash & Other includes cash, other assets less liabilities, offsets to derivative positions, and short-term securities. The fund may not hold all of these instruments. The fund is not rated by these agencies.
- (d) Duration is a measure of how much a bond's price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value due to the interest rate move.

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*Portfolio Composition continued*

- (i) For purposes of this presentation, the components include the market value of securities, and reflect the impact of the equivalent exposure of derivative positions, if any. These amounts may be negative from time to time. The bond component will include any accrued interest amounts. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than market value. Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.
  - (j) For the purpose of managing the fund's duration, the fund holds short treasury futures with a bond equivalent exposure of (9.0)%, which reduce the fund's interest rate exposure but not its credit exposure.
  - (m) In determining an instrument's effective maturity for purposes of calculating the fund's dollar-weighted average effective maturity, MFS uses the instrument's stated maturity or, if applicable, an earlier date on which MFS believes it is probable that a maturity-shortening device (such as a put, pre-refunding or prepayment) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity.
- From time to time Cash & Other Net Assets may be negative due to the aggregate liquidation value of variable rate municipal term preferred shares, timing of cash receipts, and/or equivalent exposure from any derivative holdings.

Percentages are based on net assets as of 5/31/13.

The portfolio is actively managed and current holdings may be different.

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**PORTFOLIO MANAGERS PROFILES**

Michael Dawson	Investment Officer of MFS; employed in the investment management area of MFS since 1998. Portfolio Manager of the Fund since June 2007.
Geoffrey Schechter	Investment Officer of MFS; employed in the investment management area of MFS since 1993. Portfolio Manager of the Fund since June 2007.

**OTHER NOTES**

The fund's shares may trade at a discount or premium to net asset value. Shareholders do not have the right to cause the fund to repurchase their shares at net asset value. When fund shares trade at a premium, buyers pay more than the net asset value of underlying fund shares, and shares purchased at a premium would receive less than the amount paid for them in the event of the fund's liquidation. As a result, the total return that is calculated based on the net asset value and New York Stock Exchange price can be different.

The fund's monthly distributions may include a return of capital to shareholders to the extent that distributions are in excess of the fund's net investment income and net capital gains, determined in accordance with federal income tax regulations. Distributions that are treated for federal income tax purposes as a return of capital will reduce each shareholder's basis in his or her shares and, to the extent the return of capital exceeds such basis, will be treated as gain to the shareholder from a sale of shares. Returns of shareholder capital have the effect of reducing the fund's assets and increasing the fund's expense ratio.

In accordance with Section 23(c) of the Investment Company Act of 1940, the fund hereby gives notice that it may from time to time repurchase common and/or preferred shares of the fund in the open market at the option of the Board of Trustees and on such terms as the Trustees shall determine.



**Table of Contents****PORTFOLIO OF INVESTMENTS**

5/31/13 (unaudited)

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

**Municipal Bonds - 167.4%**

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Airport Revenue - 8.3%</b>		
Los Angeles, CA, Department of Airports Rev. (Los Angeles International), C, BHAC, 5.25%, 2038	\$ 750,000	\$ 829,895
Orange County, CA, Airport Rev., A, 5%, 2031	190,000	207,746
San Diego County, CA, Regional Airport Authority Rev., A, 5%, 2021	500,000	581,265
San Diego County, CA, Regional Airport Authority Rev., B, 5%, 2038	305,000	329,546
San Francisco, CA, City & County Airports Commission, International Airport Rev., A, 5%, 2030	285,000	310,850
San Francisco, CA, City & County Airports Commission, International Airport Rev., A, 5%, 2031	150,000	163,133
San Jose, CA, Airport Rev., A-2, 5.25%, 2034	440,000	475,966
		\$ 2,898,401
<b>General Obligations - General Purpose - 9.4%</b>		
Commonwealth of Puerto Rico, A, 5.5%, 2018	\$ 370,000	\$ 396,995
State of California, AMBAC, 6%, 2017	1,000,000	1,180,600
State of California, 5.25%, 2035	455,000	514,227
State of California, 5.5%, 2040	630,000	730,838
State of California, 5.25%, 2040	415,000	464,302
		\$ 3,286,962
<b>General Obligations - Schools - 26.3%</b>		
Alhambra, CA, Unified School District, B, ASSD GTY, 5.25%, 2028	\$ 500,000	\$ 568,500
Banning, CA, Unified School District (Election of 2006), B, ASSD GTY, 5.25%, 2033	500,000	552,340
Beaumont, CA, Unified School District (Election of 2008), Capital Appreciation, C, AGM, 0%, 2040	955,000	240,068
Chabot-Las Positas, CA, Community College (Election of 2004), B, AMBAC, 5%, 2030	60,000	67,616
El Camino, CA, Community College District (Election of 2002), C, 4%, 2037	550,000	562,265
Lake Tahoe, CA, Unified School District (Election of 2008), Capital Appreciation, AGM, 0%, 2045	515,000	206,278
Montebello, CA, Unified School District (Election of 2004), A-1, ASSD GTY, 5.25%, 2034	355,000	397,671
Napa Valley, CA, Unified School District, 5%, 2020	225,000	275,162
Peralta, CA, Community College District, AGM, 5%, 2016	500,000	565,640
Pittsburg, CA, Unified School District, B, AGM, 5.5%, 2034	500,000	563,350
Pomona, CA, Unified School District, A, NATL, 6.55%, 2029	1,000,000	1,288,220
San Diego County, CA, Southwestern Community College District (Election of 2008), C, 5%, 2040	370,000	401,409

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**Table of Contents***Portfolio of Investments (unaudited) continued*

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Municipal Bonds - continued</b>		
<b>General Obligations - Schools - continued</b>		
San Diego, CA, Community College (Election of 2002), 5.25%, 2033	\$ 125,000	\$ 143,419
San Joaquin, CA, Delta Community College District (Election of 2004), B, Capital Appreciation, AGM, 0%, 2018	400,000	359,708
Santee, CA, School District (Election of 2006), Capital Appreciation, D, ASSD GTY, 0%, 2043	765,000	154,308
Vallejo City, CA, Unified School District, A, NATL, 5.9%, 2025	500,000	552,395
Victor, CA, Elementary School District (Election of 2008), A, ASSD GTY, 5.125%, 2034	500,000	557,805
Washington, CA, Yolo County Unified School District (New High School Project), 5%, 2021	450,000	499,766
West Contra Costa, CA, Unified School District, A, NATL, 5.7%, 2023	500,000	627,210
West Covina, CA, Unified School District, A, NATL, 5.8%, 2021	500,000	585,275
		<b>\$ 9,168,405</b>
<b>Healthcare Revenue - Hospitals - 26.0%</b>		
ABAG Finance Authority for Non-Profit Corps., CA, Rev. (Sharp Healthcare), 6.25%, 2039	\$ 505,000	\$ 584,911
ABAG Finance Authority for Non-Profit Corps., CA, Rev. (Sharp Healthcare), A, 5%, 2026	110,000	123,976
California Health Facilities Financing Authority Rev. (Cedars-Sinai Medical Center), 5%, 2034	250,000	264,240
California Health Facilities Financing Authority Rev. (Memorial Health Services), A, 5%, 2033	295,000	328,435
California Health Facilities Financing Authority Rev. (Scripps Health), A, 5%, 2032	525,000	571,715
California Health Facilities Financing Authority Rev. (Scripps Health), A, 5%, 2040	255,000	278,078
California Health Facilities Financing Authority Rev. (Sutter Health), B, 5.5%, 2020	500,000	621,250
California Health Facilities Financing Authority Rev. (Sutter Health), B, 5.875%, 2031	500,000	587,425
California Municipal Finance Authority, COP (Community Hospitals of Central California), 5.25%, 2027	250,000	267,360
California Statewide Communities Development Authority Rev. (Adventist), ASSD GTY, 5%, 2037	500,000	537,455
California Statewide Communities Development Authority Rev. (Catholic Healthcare West), K, ASSD GTY, 5.5%, 2041	1,000,000	1,089,130
California Statewide Communities Development Authority Rev. (Enloe Medical Center), A, CALHF, 5.5%, 2023	500,000	582,425
California Statewide Communities Development Authority Rev. (Huntington Memorial Hospital), 5%, 2035	535,000	560,621
California Statewide Communities Development Authority Rev. (Kaiser Permanente), A, 5%, 2042	455,000	491,682

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*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
<b>Municipal Bonds - continued</b>		
<b>Healthcare Revenue - Hospitals - continued</b>		
California Statewide Communities Development Authority Rev. (Santa Ynez Valley Cottage Hospital), 5.25%, 2030	\$ 260,000	\$ 293,244
California Statewide Communities Development Authority Rev. (Sutter Health), A, 5%, 2032	610,000	664,839
California Statewide Communities Development Authority Rev. (Trinity Health Corp.), 5%, 2041	450,000	492,971
Santa Clara County, CA, Financing Authority Rev. (El Camino Hospital), AMBAC, 5.125%, 2041	400,000	415,344
Upland, CA, COP (San Antonio Community Hospital), 6.375%, 2032	250,000	295,980
		\$ 9,051,081
<b>Healthcare Revenue - Long Term Care - 2.9%</b>		
ABAG Finance Authority for Non-Profit Corps., CA, Rev. (Episcopal Senior Communities), 6.125%, 2041	\$ 150,000	\$ 173,480
ABAG Finance Authority for Non-Profit Corps., CA, Rev. (Eskaton Properties, Inc.), 5%, 2035	230,000	242,041
California Statewide Communities Development Authority Rev. (Episcopal Communities & Services for Seniors Obligated Group), 5%, 2047	315,000	334,105
California Statewide Communities Development Authority Rev. (Eskaton Properties, Inc.), 5.25%, 2034	230,000	245,518
		\$ 995,144
<b>Miscellaneous Revenue - Other - 3.0%</b>		
ABAG Finance Authority for Non-Profit Corps., CA, Rev. (Jackson Lab), 5%, 2037	\$ 400,000	\$ 428,284
ABAG Finance Authority for Non-Profit Corps., CA, Rev. (Jackson Lab), 5.75%, 2037	385,000	435,793
California Infrastructure & Economic Development Bank Rev. (Walt Disney Family Museum), 5.25%, 2033	160,000	174,293
		\$ 1,038,370
<b>Port Revenue - 4.1%</b>		
Alameda Corridor Transportation Authority, California Rev., A, AGM, 5%, 2028	\$ 305,000	\$ 350,033
Port of Oakland, CA, Rev., P, 5%, 2033	1,000,000	1,068,080
		\$ 1,418,113
<b>Sales &amp; Excise Tax Revenue - 1.9%</b>		
California Economic Recovery, A, 5%, 2020	\$ 250,000	\$ 295,978
Puerto Rico Sales Tax Financing Corp., Sales Tax Rev., Capital Appreciation, A, AMBAC, 0%, 2054	1,280,000	111,014

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*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
<b>Municipal Bonds - continued</b>		
<b>Sales &amp; Excise Tax Revenue - continued</b>		
Puerto Rico Sales Tax Financing Corp., Sales Tax Rev., Convertible Capital Appreciation, A, 0% to 2016, 6.75% to 2032	\$ 250,000	\$ 258,715
		\$ 665,707
<b>Single Family Housing Revenue - Local - 0.0%</b>		
California Rural Home Mortgage Finance Authority Rev., Mortgage Backed Securities Program, A, GNMA, 6.35%, 2029	\$ 5,000	\$ 5,149
<b>Single Family Housing - Other - 1.5%</b>		
California Department of Veterans Affairs, Home Purchase Rev., A, 4.5%, 2028	\$ 500,000	\$ 533,505
<b>Single Family Housing - State - 3.6%</b>		
California Housing Finance Agency Rev. (Home Mortgage), E, 4.75%, 2030	\$ 305,000	\$ 303,765
California Housing Finance Agency Rev. (Home Mortgage), K, 5.3%, 2023	255,000	263,252
California Housing Finance Agency Rev. (Home Mortgage), L, 5.45%, 2033	555,000	565,173
California Housing Finance Agency Rev. (Home Mortgage), L, FNMA, 5.5%, 2038	110,000	111,205
		\$ 1,243,395
<b>Solid Waste Revenue - 1.5%</b>		
Salinas Valley, CA, Solid Waste Authority Rev., AMBAC, 5.125%, 2022	\$ 500,000	\$ 501,580
<b>State &amp; Agency - Other - 1.4%</b>		
Sacramento County, CA, Public Facilities Project, COP, AMBAC, 4.75%, 2027	\$ 500,000	\$ 499,970
<b>State &amp; Local Agencies - 17.3%</b>		
California Public Works Board Lease Rev. (Judicial Council Projects), A, 5%, 2028	\$ 380,000	\$ 422,036
Compton, CA, Public Finance Authority, AMBAC, 5%, 2032	500,000	372,800
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., FGIC, 5%, 2035	255,000	265,427
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., BHAC, 5%, 2038	1,000,000	1,038,920
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., Enhanced, A, FGIC, 5%, 2038	1,000,000	1,042,070
Los Angeles County, CA, Schools Regionalized Business Service Corp., Pooled Financing, Capital Appreciation, A, AMBAC, 0%, 2018	2,020,000	1,678,034

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*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
<b>Municipal Bonds - continued</b>		
<b>State &amp; Local Agencies - continued</b>		
Los Angeles County, CA, Schools Regionalized Business Service Corp., Pooled Financing, Capital Appreciation, A, AMBAC, 0%, 2023	\$ 1,220,000	\$ 757,376
Los Angeles, CA, Municipal Improvement Corp. Lease Rev., B, ASSD GTY, 5.5%, 2030	390,000	450,044
		\$ 6,026,707
<b>Tax Assessment - 13.2%</b>		
Dana Point, CA, Community Facilities District, Special Tax, 2006-1, 4.625%, 2043	\$ 145,000	\$ 142,554
Fontana, CA, Public Finance Authority, Tax Allocation Rev. (Sub Lien North Fontana Redevelopment), A, AMBAC, 5%, 2029	1,000,000	1,024,810
Fullerton, CA, Community Facilities District, Special Tax (Amerige Heights), 5%, 2032	155,000	164,161
Huntington Beach, CA, Community Facilities District, Special Tax (Grand Coast Resort), 2000-1, 6.45%, 2031	100,000	100,272
Huntington Park, CA, Public Financing Authority Rev., A, AGM, 5.25%, 2019	500,000	532,670
Irvine, CA, Limited Obligation Improvement (Reassessment District #12-1), 4%, 2022	115,000	125,577
Irvine, CA, Limited Obligation Improvement (Reassessment District #12-1), 5%, 2023	60,000	69,463
Sacramento, CA, City Financing Authority, Special Tax Rev. (Westlake and Regency Park), A, AGM, 5%, 2027	65,000	70,305
San Diego, CA, Community Facilities District No. 3, Special Tax, 5%, 2036	160,000	167,970
San Diego, CA, Redevelopment Agency, Tax Allocation (Centre City), A, AMBAC, 5.25%, 2025	500,000	525,135
San Dieguito, CA, Public Facilities Authority, A, AMBAC, 5%, 2032	500,000	516,235
San Francisco, CA, City & County Redevelopment Successor Agency, Community Facilities District No. 6 (Mission Bay South Public Improvements), A, 5%, 2030	165,000	181,253
San Francisco, CA, City & County Redevelopment Successor Agency, Community Facilities District No. 6 (Mission Bay South Public Improvements), A, 5%, 2033	130,000	140,364
San Jose, CA, Redevelopment Agency, Tax Allocation (Merged Area Redevelopment Project), C, NATL, 4.25%, 2030	900,000	833,580
		\$ 4,594,349
<b>Tobacco - 4.4%</b>		
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., A-1, 5.125%, 2047	\$ 1,000,000	\$ 872,420
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., A-1, 5.75%, 2047	715,000	668,654
		\$ 1,541,074

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*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
<b>Municipal Bonds - continued</b>		
<b>Toll Roads - 0.7%</b>		
Foothill/Eastern Corridor Agency, CA, Toll Road Rev., NATL, 5.125%, 2019	\$ 250,000	\$ 250,400
<b>Transportation - Special Tax - 3.3%</b>		
Commonwealth of Puerto Rico Highway & Transportation Authority, Highway Rev., Y, AGM, 5.5%, 2016 (c)	\$ 450,000	\$ 518,958
San Francisco, CA, Bay Area Rapid Transit District, Sales Tax Rev., A, 5%, 2036	220,000	249,110
San Francisco, CA, Municipal Transportation Agency Rev., B, 5%, 2037	335,000	368,560
		\$ 1,136,628
<b>Universities - Colleges - 7.5%</b>		
California Educational Facilities Authority Rev. (Dominican University of California), 5%, 2025	\$ 120,000	\$ 126,914
California Educational Facilities Authority Rev. (University of San Francisco), 6.125%, 2030	285,000	345,007
California Municipal Finance Authority Rev. (Biola University), 5%, 2038	250,000	272,283
California Public Works Board Lease Rev. (The Regents of the University of California), 5%, 2028	375,000	438,180
California State University Rev., A, 5%, 2024	370,000	433,603
California Statewide Communities Development Authority Rev. (Lancer Plaza Project), 5.875%, 2043	230,000	228,213
University Enterprises, Inc. (Auxiliary Organization), A, FGIC, 4.375%, 2030	500,000	500,355
University of California Rev., G, 4%, 2029	265,000	275,510
		\$ 2,620,065
<b>Universities - Secondary Schools - 1.4%</b>		
California Statewide Communities Development Authority, School Facility Rev. (Alliance for College-Ready Public Schools), A, 6.1%, 2032	\$ 150,000	\$ 156,890
California Statewide Communities Development Authority, School Facility Rev. (Alliance for College-Ready Public Schools), A, 6.375%, 2047	315,000	329,418
		\$ 486,308
<b>Utilities - Cogeneration - 0.9%</b>		
California Pollution Control Financing Authority, Water Furnishing Rev. (Poseidon Resources Desalination Project), 5%, 2045	\$ 305,000	\$ 305,430

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*Portfolio of Investments (unaudited) continued*

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Municipal Bonds - continued</b>		
<b>Utilities - Municipal Owned - 9.7%</b>		
California Department of Water Resources, Power Supply Rev., L, 5%, 2019	\$ 805,000	\$ 971,233
California Department of Water Resources, Power Supply Rev., N, 5%, 2020	205,000	250,692
Northern California Power Agency, Capital Facilities Rev., A, 5.25%, 2024	390,000	436,328
Sacramento, CA, Municipal Utility District Rev., U, AGM, 5%, 2019	750,000	883,568
Sacramento, CA, Municipal Utility District Rev., X, 5%, 2025	370,000	429,515
Vernon, CA, Electric System Rev., A, 5.5%, 2041	370,000	397,780
		\$ 3,369,116
<b>Utilities - Other - 2.8%</b>		
California M-S-R Energy Authority Gas Rev., A, 6.5%, 2039	\$ 245,000	\$ 322,087
Southern California Public Power Authority (Natural Gas Project No. 1), A, 5%, 2033	585,000	654,697
		\$ 976,784
<b>Water &amp; Sewer Utility Revenue - 16.3%</b>		
Atwater, CA, Public Financing Authority Wastewater Rev., ASSD GTY, 5%, 2034	\$ 500,000	\$ 499,335
Bay Area, CA, Water Supply & Conservation Agency, A, 5%, 2034	225,000	257,263
California Department of Water Resources (Center Valley Project), A-E, 5%, 2028	500,000	580,420
Chino Basin, CA, Regional Financing Authority Rev. (Inland Empire Utilities Agency), A, AMBAC, 5%, 2038 (f)	1,000,000	1,098,830
Commonwealth of Puerto Rico Aqueduct & Sewer Authority Rev., A, 5.75%, 2037	110,000	112,175
Escondido CA, Joint Powers Financing Authority Rev. (Water System Financing), 5%, 2041	460,000	498,203
Los Angeles, CA, Department of Water & Power Waterworks Rev., C, NATL, 5%, 2029	500,000	525,805
Madera, CA, Irrigation Financing Authority Rev., 6.5%, 2040	440,000	498,388
Norco, CA, Financing Authority Enterprise Rev., AGM, 5.625%, 2039	215,000	232,836
San Francisco, CA, City & County Public Utilities Commission Water Rev., A, 5.25%, 2031	335,000	383,237
Sonoma County, CA, Water Agency Rev., A, AGM, 5%, 2036	600,000	627,054
Southern California Metropolitan Water District Rev., A, 5%, 2028	325,000	373,022
		\$ 5,686,568
<b>Total Municipal Bonds (Identified Cost, \$54,777,490)</b>		<b>\$ 58,299,211</b>

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*Portfolio of Investments (unaudited) continued*

**Money Market Funds - 1.7%**

Issuer	Shares/Par	Value (\$)
MFS Institutional Money Market Portfolio, 0.12%, at Cost and Net Asset Value (v)	600,579	\$ 600,579
<b>Total Investments (Identified Cost, \$55,378,069)</b>		<b>\$ 58,899,790</b>

**Other Assets, Less Liabilities - 1.0%**

VMTPS, at liquidation value (issued by the fund) - (70.1)%		365,139
<b>Net Assets applicable to common shares - 100.0%</b>		<b>\$ 34,839,929</b>

(c) Refunded bond.

(f) All or a portion of the security has been segregated as collateral for open futures contracts.

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

The following abbreviations are used in this report and are defined:

COP Certificate of Participation  
 VMTPS Variable Rate Municipal Term Preferred Shares

**Insurers**

AGM	Assured Guaranty Municipal
AMBAC	AMBAC Indemnity Corp.
ASSD GTY	Assured Guaranty Insurance Co.
BHAC	Berkshire Hathaway Assurance Corp.
CALHF	California Housing Finance Agency
FGIC	Financial Guaranty Insurance Co.
FNMA	Federal National Mortgage Assn.
GNMA	Government National Mortgage Assn.
NATL	National Public Finance Guarantee Corp.

**Derivative Contracts at 5/31/13**

**Futures Contracts Outstanding at 5/31/13**

Description	Currency	Contracts	Value	Expiration Date	Unrealized Appreciation (Depreciation)
<b>Asset Derivatives</b>					
<b>Interest Rate Futures</b>					
U.S. Treasury Bond 30 yr (Short)	USD	4	\$560,125	September - 2013	\$2,654
U.S. Treasury Note 10 yr (Short)	USD	20	2,584,375	September - 2013	3,836
					\$6,490

At May 31, 2013, the fund had liquid securities with an aggregate value of \$40,657 to cover any commitments for certain derivative contracts.

**See Notes to Financial Statements**





**Table of Contents***Financial Statements***STATEMENT OF ASSETS AND LIABILITIES**

At 5/31/13 (unaudited)

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

<b>Assets</b>	
Investments-	
Non-affiliated issuers, at value (identified cost, \$54,777,490)	\$58,299,211
Underlying affiliated funds, at cost and value	600,579
Total investments, at value (identified cost, \$55,378,069)	\$58,899,790
Receivables for	
Daily variation margin on open futures contracts	7,188
Interest	758,501
Deferred VMTPS offering costs	55,474
Receivable from investment adviser	8,532
Other assets	10,063
Total assets	\$59,739,548
<b>Liabilities</b>	
Payables for	
Investments purchased	\$388,823
Interest expense	29,525
Payable for transfer agent and dividend disbursing costs	69
Payable for independent Trustees' compensation	1,237
Accrued expenses and other liabilities	54,965
VMTPS, at liquidation value	24,425,000
Total liabilities	\$24,899,619
Net assets applicable to common shares	\$34,839,929
<b>Net assets consist of</b>	
Paid-in capital - common shares	\$40,369,906
Unrealized appreciation (depreciation) on investments	3,528,211
Accumulated net realized gain (loss) on investments	(9,159,971)
Undistributed net investment income	101,783
Net assets applicable to common shares	\$34,839,929
VMTPS, at liquidation value (977 shares of Series 2016/9 issued and outstanding at \$25,000 per share)	24,425,000
Net assets including VMTPS	\$59,264,929
Common shares of beneficial interest issued and outstanding	2,786,238
Net asset value per common share (net assets of \$34,839,929 / 2,786,238 shares of beneficial interest outstanding)	\$12.50

**See Notes to Financial Statements**

**Table of Contents***Financial Statements***STATEMENT OF OPERATIONS**

Six months ended 5/31/13 (unaudited)

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

<b>Net investment income</b>	
Income	
Interest	\$1,329,483
Dividends from underlying affiliated funds	351
Total investment income	\$1,329,834
Expenses	
Management fee	\$194,382
Transfer agent and dividend disbursing costs	3,160
Administrative services fee	9,346
Independent Trustees' compensation	5,647
Stock exchange fee	7,478
Custodian fee	5,391
Shareholder communications	10,329
Audit and tax fees	37,465
Legal fees	349
Amortization of VMTPS offering costs	8,160
Interest expense	168,338
Miscellaneous	27,188
Total expenses	\$477,233
Fees paid indirectly	(6)
Reduction of expenses by investment adviser	(59,545)
Net expenses	\$417,682
Net investment income	\$912,152
<b>Realized and unrealized gain (loss) on investments</b>	
Realized gain (loss) (identified cost basis)	
Investments	\$139,424
Futures contracts	63,775
Net realized gain (loss) on investments	\$203,199
Change in unrealized appreciation (depreciation)	
Investments	\$(1,760,965)
Futures contracts	11,920
Net unrealized gain (loss) on investments	\$(1,749,045)
Net realized and unrealized gain (loss) on investments	\$(1,545,846)
Change in net assets from operations	\$(633,694)

**See Notes to Financial Statements**

**Table of Contents***Financial Statements***STATEMENTS OF CHANGES IN NET ASSETS**

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	<b>Six months ended 5/31/13 (unaudited)</b>	<b>Year ended 11/30/12</b>
<b>Change in net assets</b>		
<b>From operations</b>		
Net investment income	\$912,152	\$1,946,901
Net realized gain (loss) on investments	203,199	322,804
Net unrealized gain (loss) on investments	(1,749,045)	5,011,105
Distributions declared to shareholders of ARPS		(47,375)
Change in net assets from operations	\$(633,694)	\$7,233,435
<b>Distributions declared to shareholders</b>		
From net investment income	\$(835,871)	\$(1,997,500)
<b>Share transactions applicable to common and preferred shares</b>		
Net asset value of shares issued to common shareholders in reinvestment of distributions	\$	\$7,219
Net increase resulting from the tender and repurchase of ARPS		1,221,250
Change in net assets from fund share transactions	\$	\$1,228,469
Total change in net assets	\$(1,469,565)	\$6,464,404
<b>Net assets applicable to common shares</b>		
At beginning of period	36,309,494	29,845,090
At end of period (including undistributed net investment income of \$101,783 and \$25,502, respectively)	\$34,839,929	\$36,309,494
<b>See Notes to Financial Statements</b>		

**Table of Contents***Financial Statements***STATEMENT OF CASH FLOWS**

Six months ended 5/31/13 (unaudited)

This statement provides a summary of cash flows from investment activity for the fund.

<b>Cash flows from operating activities:</b>	
Change in net assets from operations	\$(633,694)
<b>Adjustments to reconcile change in net assets from operations to net cash provided by operating activities:</b>	
Purchase of investment securities	(3,530,094)
Proceeds from disposition of investment securities	2,487,171
Proceeds from futures contracts	63,775
Proceeds from disposition of short-term investments, net	1,001,153
Realized gain/loss on investments	(139,424)
Realized gain/loss on futures contracts and swap agreements	(63,775)
Unrealized appreciation/depreciation on investments	1,760,965
Net amortization/accretion of income	(37,764)
Increase in interest and dividends receivable	(17,908)
Decrease in accrued expenses and other liabilities	(27,200)
Increase in receivable for daily variation margin on open futures contracts	(7,188)
Increase in receivable from investment adviser	(1,069)
Decrease in payable for daily variation margin on open futures contracts	(2,813)
Increase in other assets	(7,911)
Net cash provided by operating activities	\$844,224
<b>Cash flows from financing activities:</b>	
Decrease in deferred VMTPS offering costs	4,461
Cash distributions paid on common shares	(835,858)
Decrease in payable for VMTPS offering costs	(5,046)
Decrease in payable for ARPS tender and repurchase costs	(8,367)
Increase in payable for interest expense	586
Net cash used by financing activities	\$(844,224)
<b>Cash:</b>	
Beginning of period	\$
End of period	\$

*Supplemental disclosure of cash flow information:*

Cash paid during the six months ended May 31, 2013 for interest was \$167,752.

**See Notes to Financial Statements**

**Table of Contents***Financial Statements***FINANCIAL HIGHLIGHTS**

The financial highlights table is intended to help you understand the fund's financial performance for the semiannual period and the past 5 fiscal years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Common Shares	Six months	2012	Years ended 11/30			2008
	ended 5/31/13		2011	2010	2009	
	(unaudited)					
Net asset value, beginning of period	\$13.03	\$10.71	\$10.48	\$10.66	\$9.35	\$13.53
<b>Income (loss) from investment operations</b>						
Net investment income (d)	\$0.33	\$0.70	\$0.79	\$0.86	\$0.86	\$0.91
Net realized and unrealized gain (loss) on investments	(0.56)	1.92	0.26	(0.18)	1.26	(4.18)
Distributions declared to shareholders of ARPS		(0.02)	(0.03)	(0.04)	(0.06)	(0.31)
Total from investment operations	\$(0.23)	\$2.60	\$1.02	\$0.64	\$2.06	\$(3.58)
<b>Less distributions declared to shareholders</b>						
From net investment income	\$(0.30)	\$(0.72)	\$(0.79)	\$(0.82)	\$(0.75)	\$(0.60)
Net increase resulting from tender and repurchase of ARPS	\$	\$0.44	\$	\$	\$	\$
Net asset value, end of period (x)	\$12.50	\$13.03	\$10.71	\$10.48	\$10.66	\$9.35
Market value, end of period	\$11.21	\$12.71	\$10.99	\$10.75	\$10.72	\$8.39
Total return at market value (%) (p)	(9.58)(n)	22.84	10.44	7.87	37.90	(23.86)
Total return at net asset value (%) (j)(r)(s)(x)	(1.65)(n)	29.22(y)	10.40	5.75	23.05	(26.95)
<b>Ratios (%) (to average net assets applicable to common shares) and Supplemental data:</b>						
Expenses before expense reductions (f)(p)	2.69(a)	2.40	2.01	1.86	2.25	2.05
Expenses after expense reductions (f)(p)	2.36(a)	1.94	1.49	1.44	1.49	1.29
Net investment income (p)	5.15(a)	5.88	7.78	7.85	8.41	7.49
Portfolio turnover	4(n)	19	40	21	20	26
Net assets at end of period (000 omitted)	\$34,840	\$36,309	\$29,845	\$29,178	\$29,638	\$25,992

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*Financial Highlights continued*

	Six months ended 5/31/13	2012	Years ended 11/30			2008
			2011	2010	2009	
<b>(unaudited)</b>						
<b>Supplemental Ratios (%):</b>						
Ratio of expenses to average net assets applicable to common shares after expense reductions and excluding interest expense (f)(l)(p)	1.40(a)	1.40	N/A	N/A	N/A	N/A
Ratio of expenses to average net assets applicable to common shares, ARPS, and VMTPS after expense reductions and excluding interest expense (f)(l)(p)	0.83(a)	0.81	0.80	0.80	0.80	0.75
Net investment income available to common shares	5.15	5.73	7.51	7.52	7.83	4.93
<b>Senior Securities:</b>						
ARPS			978	978	978	978
VMTPS	977	977				
Total preferred shares outstanding						