

MFS CALIFORNIA MUNICIPAL FUND

Form N-CSRS

July 29, 2011

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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)

**500 Boylston Street, Boston, Massachusetts 02116**

(Address of principal executive offices) (Zip code)

**Susan S. Newton**

**Massachusetts Financial Services Company**

**500 Boylston Street**

**Boston, Massachusetts 02116**

(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, 2011

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**ITEM 1. REPORTS TO STOCKHOLDERS.**

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# MFS® California Municipal Fund

## SEMIANNUAL REPORT

*May 31, 2011*

CCA-SEM

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**MFS® CALIFORNIA MUNICIPAL FUND**

American Stock Exchange Symbol: CCA

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NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

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## LETTER FROM THE CEO

Dear Shareholders:

After an extended rebound in the financial markets, uncertainty returned in 2010 as investors began to question the durability of the recovery for global economies and markets. That uncertainty led to increased risk aversion, especially as investors saw the eurozone struggle with the debt

woes of many of its members and amid a weakening trend in the global macroeconomic data. Last September, the U.S. Federal Reserve Board's promises to further loosen monetary policy helped assuage market fears and drive asset prices off their recent lows. A combination of solid earnings and improving economic data gave an additional boost to investor sentiment. For the remainder of 2011, we are cautiously optimistic that economic growth will continue to improve and that the global economies

will recover from the shocks of the past few years. We expect the pace of recovery worldwide to be uneven and volatile and acknowledge the elevated uncertainty created by events in Japan, Europe, and the Middle East.

As always, we continue to be mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to remind investors of the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with their advisors to research and identify appropriate investment opportunities.

Respectfully,

**Robert J. Manning**

*Chairman and Chief Executive Officer*

*MFS Investment Management®*

*July 15, 2011*

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 at market value****Top five industries reflecting equivalent exposure of derivative positions (i)**

State & Local Agencies	17.5%
General Obligation Schools	16.5%
Water & Sewer Utility Revenue	14.4%
Healthcare Revenue Hospitals	9.7%
U.S. Treasury Securities (j)	(14.7)%

**Portfolio structure reflecting equivalent exposure of derivative positions (i)(j)****Composition including fixed income credit quality (a)(i)**

AA	38.8%
A	24.9%
BBB	28.2%
Not Rated	(9.4)%
Cash & Other	17.5%

**Portfolio facts (i)**

Average Duration (d)	16.7
Average Effective Maturity (m)	18.2 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). All ratings are subject to change. Not Rated includes fixed income securities, including fixed income futures, 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 itself has not been rated.
- (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.
- (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 applicable. 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.

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*Portfolio Composition continued*

(j) For the purpose of managing the fund's duration, the fund holds short treasury futures with a bond equivalent exposure of (14.7)%, 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. Percentages are based on net assets, including the value of auction preferred shares, as of 5/31/11.

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 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 American Stock Exchange price can be different.

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**

5/31/11 (unaudited)

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

**Municipal Bonds - 178.2%**

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Airport Revenue - 5.3%</b>		
Los Angeles, CA, Department of Airports Rev. (Los Angeles International), C, BHAC, 5.25%, 2038	\$ 750,000	\$ 770,164
Orange County, CA, Airport Rev., A, 5%, 2031	190,000	193,787
San Diego County, CA, Regional Airport Authority Rev., A, 5%, 2021	500,000	540,500
		\$ 1,504,451
<b>General Obligations - General Purpose - 8.7%</b>		
Commonwealth of Puerto Rico, A, 5.5%, 2018	\$ 370,000	\$ 398,235
Commonwealth of Puerto Rico, A, NATL, 5.5%, 2020	435,000	456,850
State of California, AMBAC, 6%, 2017	1,000,000	1,190,050
State of California, 5.25%, 2040	415,000	414,361
		\$ 2,459,496
<b>General Obligations - Schools - 30.2%</b>		
Alhambra, CA, Unified School District, B, ASSD GTY, 5.25%, 2028	\$ 500,000	\$ 526,395
Banning, CA, Unified School District (Election of 2006), B, ASSD GTY, 5.25%, 2033	500,000	511,035
Chabot-Las Positas, CA, Community College (Election of 2004), B, AMBAC, 5%, 2030	60,000	60,212
Lake Tahoe, CA, Unified School District (Election of 2008), Capital Appreciation, AGM, 0%, 2045	515,000	113,748
Los Angeles, CA, Unified School District, NATL, 5.75%, 2016	250,000	296,910
Montebello, CA, Unified School District (Election of 2004), A-1, ASSD GTY, 5.25%, 2034	355,000	363,492
Napa Valley, CA, Unified School District, 5%, 2020	225,000	260,609
Peralta, CA, Community College District, 5%, 2016	500,000	565,850
Pittsburg, CA, Unified School District, B, AGM, 5.5%, 2034	500,000	518,205
Pomona, CA, Unified School District, A, NATL, 6.55%, 2029	1,000,000	1,099,490
Rancho Santiago, CA, Community College District, AGM, 5.125%, 2029	175,000	187,145
Redondo Beach, CA, Unified School District (Election of 2000), 3%, 2020	250,000	246,050
San Diego, CA, Community College (Election of 2002), 5.25%, 2033	125,000	127,484
San Diego, CA, Unified School District (Election of 1998), AGM, 5.25%, 2028	800,000	852,208
San Joaquin, CA, Delta Community College District (Election of 2004), B, Capital Appreciation, AGM, 0%, 2018	400,000	299,536
Vallejo City, CA, Unified School District, A, NATL, 5.9%, 2025	500,000	495,635

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*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
<b>Municipal Bonds - continued</b>		
<b>General Obligations - Schools - continued</b>		
Victor, CA, Elementary School District (Election of 2008), A, ASSD GTY, 5.125%, 2034	\$ 500,000	\$ 504,445
Washington, CA, Yolo County Unified School District (New High School Project), 5%, 2021	450,000	460,260
West Contra Costa, CA, Unified School District, A, NATL, 5.7%, 2023	500,000	538,365
West Covina, CA, Unified School District, A, NATL, 5.8%, 2021	500,000	554,490
		<b>\$ 8,581,564</b>
<b>Healthcare Revenue - Hospitals - 17.8%</b>		
ABAG Finance Authority for Non-Profit Corps., CA, Rev. (Sharp Healthcare), 6.25%, 2039	\$ 505,000	\$ 511,055
California Health Facilities, Financing Authority Rev. (Sutter Health), B, 5.875%, 2031	500,000	516,630
California Health Facilities, Financing Authority Rev. (Cedars-Sinai Medical Center), 5%, 2034	250,000	232,915
California Municipal Finance Authority, COP (Community Hospitals of Central California), 5.25%, 2027	250,000	226,395
California Statewide Communities Development Authority Rev. (Adventist), ASSD GTY, 5%, 2037	500,000	487,245
California Statewide Communities Development Authority Rev. (Catholic Healthcare West), K, ASSD GTY, 5.5%, 2041 (f)	1,000,000	1,007,130
California Statewide Communities Development Authority Rev. (Daughters of Charity Health), A, 5.25%, 2030	250,000	202,278
California Statewide Communities Development Authority Rev. (Enloe Medical Center), A, CALHF, 5.5%, 2023	500,000	521,675
California Statewide Communities Development Authority Rev. (Huntington Memorial Hospital), 5%, 2035	535,000	477,279
California Statewide Communities Development Authority Rev. (Santa Ynez Valley Cottage Hospital), 5.25%, 2030	260,000	258,422
Santa Clara County, CA, Financing Authority Rev. (El Camino Hospital), AMBAC, 5.125%, 2041	400,000	359,876
Upland, CA, COP (San Antonio Community Hospital), 6.375%, 2032	250,000	256,373
		<b>\$ 5,057,273</b>
<b>Healthcare Revenue - Long Term Care - 3.5%</b>		
ABAG Finance Authority for Non-Profit Corps., CA, Rev. (Odd Fellows Home), NATL, 6%, 2024	\$ 1,000,000	\$ 1,003,140
<b>Miscellaneous Revenue - Other - 1.9%</b>		
ABAG Finance Authority for Non-Profit Corps., CA, Rev. (Jackson Lab), 5.75%, 2037	\$ 385,000	\$ 385,173
California Infrastructure & Economic Development Bank Rev. (Walt Disney Family Museum), 5.25%, 2033	160,000	158,355
		<b>\$ 543,528</b>

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*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
<b>Municipal Bonds - continued</b>		
<b>Port Revenue - 1.5%</b>		
Port of Oakland, CA, A, NATL, 5%, 2026	\$ 435,000	\$ 411,675
<b>Sales &amp; Excise Tax Revenue - 3.5%</b>		
California Economic Recovery, A, 5%, 2020	\$ 250,000	\$ 285,818
Puerto Rico Sales Tax Financing Corp., Sales Tax Rev., C, AGM, 5.125%, 2042	500,000	493,450
Puerto Rico Sales Tax Financing Corp., Sales Tax Rev., Capital Appreciation, A, 0%, 2032	250,000	206,923
		\$ 986,191
<b>Single Family Housing - Local - 0.1%</b>		
California Rural Home Mortgage Finance Authority Rev., Mortgage Backed Securities Program, A, GNMA, 6.35%, 2029	\$ 5,000	\$ 5,005
California Rural Home Mortgage Finance Authority Rev., Mortgage Backed Securities Program, B4, FHA, 6.35%, 2029	10,000	10,290
		\$ 15,295
<b>Single Family Housing - State - 1.6%</b>		
California Housing Finance Agency Rev., K, 4.7%, 2031	\$ 65,000	\$ 53,022
California Housing Finance Agency Rev., K, 4.75%, 2036	500,000	394,855
		\$ 447,877
<b>Solid Waste Revenue - 1.8%</b>		
Salinas Valley, CA, Solid Waste Authority Rev., AMBAC, 5.125%, 2022	\$ 500,000	\$ 497,655
<b>State &amp; Agency - Other - 1.5%</b>		
Sacramento County, CA, Public Facilities Project, COP, AMBAC, 4.75%, 2027	\$ 500,000	\$ 430,325
<b>State &amp; Local Agencies - 32.1%</b>		
Calabasas, CA, Certificate Participants (City Hall & Civic Center Project), AMBAC, 4.5%, 2041	\$ 725,000	\$ 632,215
Compton, CA, Public Finance Authority, AMBAC, 5%, 2032	500,000	382,165
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., FGIC, 5%, 2035	255,000	231,209
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., BHAC, 5%, 2038	1,000,000	961,340
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., Enhanced, A, FGIC, 5%, 2035	1,000,000	867,980
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., Enhanced, A, FGIC, 5%, 2038	1,000,000	867,400
Huntington Park, CA, Public Financing Authority Rev., A, AGM, 5.25%, 2019	1,000,000	1,091,420

**Table of Contents***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%, 2018	\$ 2,020,000	\$ 1,317,303
Los Angeles County, CA, Schools Regionalized Business Service Corp., Pooled Financing, Capital Appreciation, A , AMBAC, 0%, 2023	2,220,000	938,017
Los Angeles, CA, Municipal Improvement Corp. Lease Rev., B , ASSD GTY, 5.5%, 2030	390,000	399,933
Western Placer, CA, Unified School, B , ASSD GTY, 5.125%, 2047	1,200,000	1,106,724
Yuba, CA, Levee Financing Authority Rev. (Levee Financing Project), A , ASSD GTY, 5%, 2038	330,000	325,624
		\$ 9,121,330
<b>Tax Assessment - 11.7%</b>		
Fontana, CA, Public Finance Authority, Tax Allocation Rev. (Sub Lien North Fontana Redevelopment), A , AMBAC, 5%, 2029	\$ 1,000,000	\$ 851,070
Huntington Beach, CA, Community Facilities District, Special Tax (Grand Coast Resort), 2000-1 , 6.45%, 2031	100,000	99,429
Lancaster, CA, Financing Authority, Tax Allocation Rev. (Projects No. 5 & 6 Redevelopment Projects), NATL, 5.25%, 2020	825,000	787,199
San Diego, CA, Redevelopment Agency, Tax Allocation Rev. (Centre City), A , AMBAC, 5.25%, 2025	500,000	461,225
San Dieguito, CA, Public Facilities Authority, A , AMBAC, 5%, 2032	500,000	484,730
San Jose, CA, Redevelopment Agency, Tax Allocation (Merged Area Redevelopment Project), C , NATL, 4.25%, 2030	900,000	638,730
		\$ 3,322,383
<b>Tobacco - 4.7%</b>		
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., A-1 , 5.125%, 2047	\$ 1,000,000	\$ 615,430
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., A-1 , 5.75%, 2047	1,060,000	726,513
		\$ 1,341,943
<b>Toll Roads - 1.7%</b>		
Foothill/Eastern Corridor Agency, CA, Toll Road Rev., NATL, 5.125%, 2019	\$ 500,000	\$ 483,300
<b>Transportation - Special Tax - 2.8%</b>		
Commonwealth of Puerto Rico Highway & Transportation Authority, Highway Rev., K , 5%, 2014	\$ 235,000	\$ 249,854
Commonwealth of Puerto Rico Highway & Transportation Authority, Highway Rev., Y , AGM, 5.5%, 2016 (c)	450,000	547,272
		\$ 797,126

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*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
<b>Municipal Bonds - continued</b>		
<b>Universities - Colleges - 5.3%</b>		
California Educational Facilities Authority Rev. (Dominican University of California), 5%, 2025	\$ 120,000	\$ 106,464
California Educational Facilities Authority Rev. (University of San Francisco), 6.125%, 2030	285,000	302,328
University Enterprises, Inc. (Auxiliary Organization), A, FGIC, 4.375%, 2030	500,000	435,145
University of California Rev., U, 5%, 2017	570,000	664,426
		\$ 1,508,363
<b>Utilities - Investor Owned - 3.6%</b>		
California Pollution Control Financing Authority, Pollution Control Rev. (Pacific Gas & Electric Co.), NATL, 5.35%, 2016	\$ 1,000,000	\$ 1,021,130
<b>Utilities - Municipal Owned - 9.7%</b>		
California Department of Water Resources, Power Supply Rev., L, 5%, 2019	\$ 805,000	\$ 946,100
Imperial Irrigation District Electric Rev., A, 5%, 2017	500,000	569,800
Northern California Power Agency, Capital Facilities Rev., A, 5.25%, 2024	390,000	413,927
Sacramento, CA, Municipal Utility District Rev., U, AGM, 5%, 2019	750,000	830,070
		\$ 2,759,897
<b>Utilities - Other - 2.7%</b>		
California M-S-R Energy Authority Gas Rev., A, 6.5%, 2039	\$ 245,000	\$ 266,915
Southern California Public Power Authority (Natural Gas Project No. 1), A, 5%, 2033	585,000	509,541
		\$ 776,456
<b>Water &amp; Sewer Utility Revenue - 26.5%</b>		
Atwater, CA, Public Financing Authority Wastewater Rev., ASSD GTY, 5%, 2034	\$ 500,000	\$ 476,390
California Department of Water Resources (Central Valley Project), A-E, 5%, 2028	500,000	528,995
Chino Basin, CA, Regional Financing Authority Rev. (Inland Empire Utilities Agency), A, AMBAC, 5%, 2038	1,000,000	986,730
Hollister, CA, Joint Powers Financing Authority Wastewater Rev. (Refining & Improvement Project), 1, AGM, 5%, 2032	770,000	751,420
Lindmore Irrigation District Rev., Certificates of Participation, A, 5%, 2030	300,000	282,588
Los Angeles, CA, Department of Water & Power Waterworks Rev., C, NATL, 5%, 2029	500,000	510,115
Madera, CA, Irrigation Financing Authority Rev., 6.5%, 2040	440,000	446,609
Norco, CA, Financing Authority Enterprise Rev., AGM, 5.625%, 2039	215,000	221,095

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*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
<b>Municipal Bonds - continued</b>		
Water & Sewer Utility Revenue - continued		
Pico Rivera, CA, Water Authority Rev. (Water Systems Project), A , NATL, 5.5%, 2029	\$ 2,000,000	\$ 1,967,520
Sonoma County, CA, Water Agency Rev., A , AGM, 5%, 2036	600,000	605,058
Woodland, CA, Financing Authority Wastewater Rev., 5%, 2033	750,000	746,985
		\$ 7,523,505
<b>Total Municipal Bonds (Identified Cost, \$51,846,258)</b>		<b>\$ 50,593,903</b>
Other Assets, Less Liabilities - 7.9%		2,252,766
Preferred Shares (Issued by the Fund) - (86.1)%		(24,450,000)
<b>Net Assets applicable to common shares - 100.0%</b>		<b>\$ 28,396,669</b>

(c) Refunded bond.

(f) All or a portion of the security has been segregated as collateral for open futures contracts. The following abbreviations are used in this report and are defined:

COP Certificate of Participation

**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.
FHA	Federal Housing Administration
GNMA	Government National Mortgage Assn.
NATL	National Public Finance Guarantee Corp.

**Derivative Contracts at 5/31/11**

**Futures Contracts Outstanding at 5/31/11**

Description	Currency	Contracts	Value	Expiration Date	Unrealized Appreciation (Depreciation)
<b>Liability Derivatives</b>					
<i>Interest Rate Futures</i>					
U.S. Treasury Note 10 yr (Short)	USD	44	\$5,394,813	September - 2011	\$(36,591)
U.S. Treasury Bond 30 yr (Short)	USD	19	2,372,031	September - 2011	(7,637)
					\$(44,228)

At May 31, 2011, the fund had sufficient cash and/or other liquid securities to cover any commitments under these derivative contracts.

**See Notes to Financial Statements**

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

At 5/31/11 (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, at value (identified cost, \$51,846,258)	\$50,593,903
Cash	1,878,252
Receivables for	
Investments sold	10,000
Interest	796,440
Receivable from investment adviser	9,600
Other assets	10,830
Total assets	\$53,299,025
<b>Liabilities</b>	
Payables for	
Distributions on preferred shares	\$1,020
Daily variation margin on open futures contracts	10,938
Investments purchased	398,117
Payable to affiliates	
Transfer agent and dividend disbursing costs	44
Payable for independent Trustees' compensation	1,783
Accrued expenses and other liabilities	40,454
Total liabilities	\$452,356
<b>Preferred shares</b>	
Auction preferred shares (978 shares issued and outstanding at \$25,000 per share) at liquidation value	\$24,450,000
Net assets applicable to common shares	\$28,396,669
<b>Net assets consist of</b>	
Paid-in capital - common shares	\$39,420,088
Unrealized appreciation (depreciation) on investments	(1,296,583)
Accumulated net realized gain (loss) on investments	(9,845,827)
Undistributed net investment income	118,991
Net assets applicable to common shares	\$28,396,669
Preferred shares, at liquidation value (978 shares issued and outstanding at \$25,000 per share)	24,450,000
Net assets including preferred shares	\$52,846,669
Common shares of beneficial interest outstanding	2,784,841
Net asset value per common share (net assets of \$28,396,669 / 2,784,841 shares of beneficial interest outstanding)	\$10.20

**See Notes to Financial Statements**



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

Six months ended 5/31/11 (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	\$1,320,674	
Dividends from underlying affiliated funds	210	
Total investment income		\$1,320,884
Expenses		
Management fee	\$167,950	
Transfer agent and dividend disbursing costs	3,744	
Administrative services fee	8,850	
Independent Trustees' compensation	6,068	
Stock exchange fee	7,667	
Preferred shares service fee	14,151	
Custodian fee	4,453	
Shareholder communications	9,732	
Auditing fees	36,873	
Legal fees	1,299	
Miscellaneous	22,512	
Total expenses		\$283,299
Fees paid indirectly	(1,063)	
Reduction of expenses by investment adviser	(76,630)	
Net expenses		\$205,606
Net investment income		\$1,115,278
<b>Realized and unrealized gain (loss) on investments</b>		
Realized gain (loss) (identified cost basis)		
Investment transactions	\$(722,405)	
Futures contracts	23,417	
Net realized gain (loss) on investments		\$(698,988)
Change in unrealized appreciation (depreciation)		
Investments	\$13,934	
Futures contracts	(53,202)	
Net unrealized gain (loss) on investments		\$(39,268)
Net realized and unrealized gain (loss) on investments		\$(738,256)
Distributions declared to preferred shareholders		\$(49,437)
Change in net assets from operations		\$327,585

**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 5/31/11 (unaudited)</b>	<b>Year ended 11/30/10</b>
<b>Change in net assets</b>		
<b>From operations</b>		
Net investment income	\$1,115,278	\$2,403,793
Net realized gain (loss) on investments	(698,988)	(770,958)
Net unrealized gain (loss) on investments	(39,268)	249,714
Distributions declared to preferred shareholders	(49,437)	(98,781)
Change in net assets from operations	\$327,585	\$1,783,768
<b>Distributions declared to common shareholders</b>		
From net investment income	\$(1,119,260)	\$(2,270,522)
Net asset value of shares issued to common shareholders in reinvestment of distributions	\$10,519	\$26,245
Total change in net assets	\$(781,156)	\$(460,509)
<b>Net assets applicable to common shares</b>		
At beginning of period	29,177,825	29,638,334
At end of period (including undistributed net investment income of \$118,991 and \$172,410, respectively)	\$28,396,669	\$29,177,825

**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.

	Six months ended 5/31/11	2010	2009	Years ended 11/30 2008	2007	2006
	(unaudited)					
Net asset value, beginning of period	\$10.48	\$10.66	\$9.35	\$13.53	\$15.43	\$14.77
<b>Income (loss) from investment operations</b>						
Net investment income (d)	\$0.40	\$0.86	\$0.86	\$0.91	\$1.03(z)	\$0.98
Net realized and unrealized gain (loss) on investments	(0.26)	(0.18)	1.26	(4.18)	(2.00)(z)	0.66
Distributions declared to preferred shareholders	(0.02)	(0.04)	(0.06)	(0.31)	(0.31)	(0.27)
Total from investment operations	\$0.12	\$0.64	\$2.06	\$(3.58)	\$(1.28)	\$1.37
<b>Less distributions declared to common shareholders</b>						
From net investment income, common shares	\$(0.40)	\$(0.82)	\$(0.75)	\$(0.60)	\$(0.62)	\$(0.71)
Net asset value, end of period	\$10.20	\$10.48	\$10.66	\$9.35	\$13.53	\$15.43
Common share market value, end of period	\$10.30	\$10.75	\$10.72	\$8.39	\$11.65	\$14.30
Total return at common market value (%) (p)	(0.22)(n)	7.87	37.90	(23.86)	(14.78)	5.93
Total return at net asset value (%) (j)(p)(r)(s)(t)	1.35(n)	5.75	23.05	(26.95)	(8.27)	9.89
<b>Ratios (%) (to average net assets applicable to common shares) and Supplemental data:</b>						
Expenses before expense reductions (f)(p)(v)	2.08(a)	1.86	2.25	2.05	1.71	1.46
Expenses after expense reductions (f)(p)	1.51(a)	1.44	1.49	1.29	1.12	1.04
Net investment income (p)	8.17(a)	7.85	8.41	7.49	7.03(z)	6.58
Portfolio turnover	24	21	20	26	21	16
Net assets at end of period (000 omitted)	\$28,397	\$29,178	\$29,638	\$25,992	\$37,633	\$42,916

**Table of Contents***Financial Highlights continued*

	Six months ended 5/31/11	2010	2009	Years ended 11/30		2006
				2008	2007	
<b>(unaudited)</b>						
<b>Supplemental Ratios (%):</b>						
Ratio of expenses to average net assets:						
Including preferred shares (f)	0.80(a)	0.80	0.80	0.75	0.70	0.65
Net investment income available to common shares	7.81(a)	7.52	7.83	4.93	4.92	4.76
<b>Senior Securities:</b>						
Total preferred shares outstanding	978	978	978	978	978	978
Asset coverage per preferred share (k)	\$54,035	\$54,834	\$55,305	\$51,576	\$63,480	\$68,881
Involuntary liquidation preference per preferred share (o)	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,014
Average market value per preferred share (m)(x)	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000

(a) Annualized.

(d) Per share data is based on average shares outstanding.

(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.

(j) Total return at net asset value is calculated using the net asset value of the fund, not the publicly traded price and therefore may be different than the total return at market value.

(k) Calculated by subtracting the fund's total liabilities (not including preferred shares) from the fund's total assets and dividing this number by the number of preferred shares outstanding.

(m) Amount excludes accrued unpaid distributions to Auction Preferred Shareholders.

(n) Not annualized.

(o) Effective November 30, 2007, amount excludes accrued unpaid distributions to Auction Preferred Shareholders.

(p) Excludes dividend payment on auction preferred shares.

(r) Certain expenses have been reduced without which performance would have been lower.

(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would have been lower.

(t) Prior to November 30, 2007, total return at net asset value is unaudited.

(v) Effective with the year ended November 30, 2007, the ratio includes the management fee before taking into account any management fee reductions. This resulted in an increase to the ratio, applicable to common shares, of 0.24% for the year ended November 30, 2007. Prior periods reflect management fee after any such reductions.

(x) Average market value represents the approximate fair value of the fund's liability.

(z) The fund applied a change in estimate for amortization of premium on certain debt securities in the year ended November 30, 2007 that resulted in an increase of \$0.08 per share to net investment income, a decrease of \$0.08 per share to net realized and unrealized gain (loss) on investments, and an increase of 0.51% to net investment income ratio. The change in estimate had no impact on net assets, net asset value per share or total return.

**See Notes to Financial Statements**

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## NOTES TO FINANCIAL STATEMENTS

(unaudited)

### **(1) Business and Organization**

MFS California Municipal Fund (the fund) is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as a closed-end management investment company.

### **(2) Significant Accounting Policies**

**General** The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund invests primarily in municipal instruments. The value of municipal instruments can be affected by changes in their actual or perceived credit quality. The credit quality of municipal instruments can be affected by, among other things, the financial condition of the issuer or guarantor, the issuer's future borrowing plans and sources of revenue, the economic feasibility of the revenue bond project or general borrowing purpose, political or economic developments in the region or state where the instrument is issued and the liquidity of the security. Municipal instruments generally trade in the over-the-counter market. Municipal instruments backed by current and anticipated revenues from a specific project or specific assets can be negatively affected by the discontinuance of the taxation supporting the projects or assets or the inability to collect revenues for the project or from the assets. If the Internal Revenue Service determines an issuer of a municipal instrument has not complied with the applicable tax requirements, the security could decline in value, interest from the security could become taxable and the funds may be required to issue Forms 1099-DIV.

**Investment Valuations** Debt instruments and floating rate loans (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Futures contracts are generally valued at last posted settlement price as provided by a third-party pricing service on the market on which they are primarily traded. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation as

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*Notes to Financial Statements (unaudited) continued*

provided by a third-party pricing service on the market on which such futures contracts are primarily traded. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value

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Notes to Financial Statements (unaudited) continued

hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as futures. The following is a summary of the levels used as of May 31, 2011 in valuing the fund's assets or liabilities:

<b>Investments at Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Municipal Bonds	\$	\$50,593,903	\$	\$50,593,903
<b>Other Financial Instruments</b>				
Futures	\$(44,228)	\$	\$	\$(44,228)

For further information regarding security characteristics, see the Portfolio of Investments.

**Derivatives** The fund uses derivatives for different purposes, including to earn income and enhance returns, to increase or decrease exposure to a particular market, to manage or adjust the risk profile of the fund, or as alternatives to direct investments. Derivatives are used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

The derivative instruments used by the fund were futures contracts. The fund's period end derivatives, as presented in the Portfolio of Investments and the associated Derivative Contract Tables, generally are indicative of the volume of its derivative activity during the period.

The following table presents, by major type of derivative contract, the fair value, on a gross basis, of the asset and liability components of derivatives held by the fund at May 31, 2011 as reported in the Statement of Assets and Liabilities:

<b>Risk</b>	<b>Derivative</b>	<b>Fair Value (a)</b>	
		<b>Asset Derivatives</b>	<b>Liability Derivatives</b>
Interest Rate	Interest Rate Futures	\$	\$(44,228)

(a) The value of futures contracts outstanding includes cumulative appreciation (depreciation) as reported in the fund's Portfolio of Investments. Only the current day variation margin for futures contracts is separately reported within the fund's Statement of Assets and Liabilities.

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*Notes to Financial Statements (unaudited) continued*

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the six months ended May 31, 2011 as reported in the Statement of Operations:

Risk	Futures Contracts
Interest Rate	\$23,417

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the six months ended May 31, 2011 as reported in the Statement of Operations:

Risk	Futures Contracts
Interest Rate	\$(53,202)

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an International Swaps and Derivatives Association (ISDA) Master Agreement on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a certain deterioration in the credit quality of the other party. The ISDA Master Agreement gives the fund the right, upon an event of default by the applicable counterparty or a termination of the agreement, to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any. However, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in an offset of reported amounts of assets and liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearing house for exchange traded derivatives (i.e., futures and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, swaps and over-the-counter options). For derivatives traded under an ISDA Master Agreement, the collateral requirements are netted across all transactions traded under such agreement and one amount is posted from one party to the other to collateralize such obligations. Cash collateral that has been pledged to cover obligations of the fund under derivative contracts, if any, will be reported separately on the



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*Notes to Financial Statements (unaudited) continued*

Statement of Assets and Liabilities as restricted cash. Securities collateral pledged for the same purpose, if any, is noted in the Portfolio of Investments.

**Futures Contracts** The fund entered into futures contracts which may be used to hedge against or obtain broad market, interest rate or currency exposure. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the fund is required to deposit with the broker, either in cash or securities, an initial margin in an amount equal to a certain percentage of the notional amount of the contract. Subsequent payments (variation margin) are made or received by the fund each day, depending on the daily fluctuations in the value of the contract, and are recorded for financial statement purposes as unrealized gain or loss by the fund until the contract is closed or expires at which point the gain or loss on futures is realized.

The fund bears the risk of interest rates, exchange rates or securities prices moving unexpectedly, in which case, the fund may not achieve the anticipated benefits of the futures contracts and may realize a loss. While futures may present less counterparty risk to the fund since the contracts are exchange traded and the exchange's clearinghouse guarantees payments to the broker, there is still counterparty credit risk due to the insolvency of the broker. The fund's maximum risk of loss due to counterparty credit risk is equal to the margin posted by the fund to the broker plus any gains or minus any losses on the outstanding futures contracts.

**Indemnifications** Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

**Investment Transactions and Income** Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. Dividends received in cash are recorded on the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date.

The fund may receive proceeds fr