

MFS CALIFORNIA MUNICIPAL FUND

Form N-CSR

February 05, 2015

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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: November 30, 2014

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ITEM 1. REPORTS TO STOCKHOLDERS.

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ANNUAL REPORT

November 30, 2014

MFS® CALIFORNIA MUNICIPAL FUND

CCA-ANN

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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

Dear Shareholders:

The U.S. economy stands on firmer ground than the rest of the world, expanding at an annualized pace of more than 3%. The labor market has regained momentum,

consumer confidence has improved and gasoline prices have fallen sharply. Accordingly, expectations are strong for continued economic recovery into 2015.

In contrast, all other major economic regions are struggling. The eurozone economy is barely expanding, and deflation is a growing concern. The European Central Bank (ECB) has attempted to stimulate the region's economy, and many market participants believe the ECB will introduce large-scale asset purchases.

Despite Japan's efforts to strengthen its economy, its sales tax increase last spring tipped the country into a technical recession,

leading to additional monetary stimulus from the Bank of Japan. The Chinese economy is slowing down, and its growth rate will likely continue to fall as it transitions to a more sustainable basis.

As always, active risk management is integral to how we at MFS® manage your investments. We use a collaborative process, sharing insights across asset classes, regions and economic sectors. Our global investment team uses a diversified, multidisciplinary, long-term approach.

Applying proven principles, such as asset allocation and diversification, can best serve investors over the long term. We are confident that this approach can help you as you work with your financial advisors to reach your goals in the years ahead.

Respectfully,

Robert J. Manning

Chairman

MFS Investment Management

January 15, 2015

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

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

| | |
|---------------------------------------|-------|
| General Obligations - Schools | 27.8% |
| Healthcare Revenue - Hospitals | 24.6% |
| State & Local Agencies | 18.0% |
| Water & Sewer Utility Revenue | 16.8% |
| General Obligations - General Purpose | 10.9% |

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

| | |
|---------------|---------|
| AAA | 1.3% |
| AA | 50.3% |
| A | 81.4% |
| BBB | 12.9% |
| BB | 4.8% |
| B | 4.0% |
| Not Rated (j) | 3.9% |
| Cash & Other | (58.6)% |

Portfolio facts (i)

| | |
|--------------------------------|-----------|
| Average Duration (d) | 12.3 |
| Average Effective Maturity (m) | 17.2 yrs. |

Jurisdiction (i)

| | |
|-------------|--------|
| California | 162.6% |
| Puerto Rico | 2.2% |
| New York | 1.7% |
| Guam | 1.0% |

- (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. 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 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. 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 value. The bond component will include any accrued interest amounts.
 - (j) For the purpose of managing the fund's duration, the fund holds short treasury futures with a bond equivalent exposure of (8.9)%, 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 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.

Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

Cash & Other can include cash, other assets less liabilities, offsets to derivative positions, and short-term securities.

Percentages are based on net assets applicable to common shares as of 11/30/14.

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

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MANAGEMENT REVIEW

Summary of Results

MFS California Municipal Fund (fund) is a closed-end fund. The fund s investment objective is to seek high current income exempt from federal income tax and California personal income tax, but may also consider capital appreciation. The fund invests, under normal market conditions, at least 80% of its net assets, including assets attributable to preferred shares and borrowings for investment purposes, in debt securities the interest on which in the opinion of issuer counsel (or other reputable authority) is exempt from federal regular income tax and California personal income tax.

For the twelve months ended November 30, 2014, shares of the MFS California Municipal Fund provided a total return of 17.38%, at net asset value and a total return of 18.45%, at market value. This compares with a return of 8.23% for the fund s benchmark, the Barclays Municipal Bond Index.

The performance commentary below is based on the net asset value performance of the fund which reflects the performance of the underlying pool of assets held by the fund. The total return at market value represents the return earned by owners of the shares of the fund which are traded publicly on the exchange.

Market Environment

Prior to the reporting period, the decision by the US Federal Reserve (Fed) to postpone the tapering of its quantitative easing (QE) program surprised markets. Favorable market reactions were tempered, however, by tense negotiations over US fiscal policy which resulted in a 16-day partial shutdown of the federal government (from October 1 through October 16, 2013) and a short-term extension in the debt ceiling. The volatility was short-lived, however, as an extension of budget and debt ceiling deadlines allowed the government to re-open, and subsequent economic data reflected moderate but resilient US growth. Also well-received was the decision by the European Central Bank (ECB) to cut its policy rate as inflation pressures waned in the region. In addition, equity investors appeared to have concluded that there would be no major change in US monetary policy as a result of the nomination of Janet Yellen as the new Fed Chair for a term beginning in early 2014 and that tapering would have no major impact on the trajectory.

A generally risk-friendly, carry trade environment persisted from February 2014 until mid-year. While geopolitical tensions flared in the Middle East and Russia/Ukraine, any market setbacks were short-lived, as improving economic growth in the US coupled with prospects for easier monetary policy in regions with slowing growth such as Japan, Europe and China, supported risk assets. For example, the ECB cut policy interest rates into negative territory and, by the end of the period, expectations were for additional rate cuts and the announcement for non-conventional easing measures. Similarly, the Bank of Japan surprised markets late in the period with fresh stimulus measures given lackluster growth trends. The related decline in developed market government bond yields and credit spreads were also supportive for equity markets. At the end of the period, the US equity market was trading at all-time highs. However, credit markets did not fare as well in the second half of 2014, particularly US high yield

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Management Review continued

and emerging market debt. The higher weightings of oil and gas credits in these asset classes resulted in widening spreads and increased volatility as oil prices began to decline in an accelerated fashion in the fourth quarter.

The fortunes of the municipal bond market reversed course over the twelve months ended November 30, 2014. The beginning of the period was marked by a continuation of mutual fund outflows driven by Taper Talk (widespread speculation regarding the start of the Fed's QE program pushed Treasury yields sharply higher in May and June of 2013). Investor flight through December 2013 appeared to have been fueled by comparatively weak performance in the asset class, the threat of higher Treasury yields, and worries about troubled high-profile issuers such as Detroit and Puerto Rico. Fund flows turned positive in January, however, and the remainder of the period was marked by steady, moderate inflows as the strong relative performance of municipal bonds appeared to have drawn investors back to the sector. On the supply side, new bond issuance proved manageable, supporting a supply/demand dynamic favorable for municipal bond prices. Concerns about the negative impact of higher interest rates diminished as Treasury yields fell on disappointing first quarter economic growth and generally trended lower over the course of the year as slowing global growth and broadly disinflationary developments including a precipitous drop in oil prices caused the market to push out its timetable for the first Fed Funds rate hike.

For the period, Treasury yields at the front end of the curve rose slightly, while longer yields declined. This was mirrored in the performance of the municipal bond market, where longer-maturity bonds solidly outperformed shorter maturities. Municipal credit spreads tightened significantly, enabling higher-yielding bonds to outperform higher-quality debt. At the end of the period, municipal bonds appeared fairly valued compared to Treasuries, but yields remained quite low versus historical levels.

Municipal credit fundamentals generally improved over the period as state and local tax receipts benefited from a fifth year of economic expansion. Headlines were mixed, however, with Puerto Rico and Detroit sharing attention with underfunded public pension liabilities. Optimism soared on Puerto Rico's successful bond deal in mid-March, but faltered at the end of the second quarter on the passage of legislation paving the way for potential restructuring of the Commonwealth's public corporations. Later, a forbearance agreement for the island's electric utility secured more time to address pressing funding issues. Detroit's bankruptcy proceedings came to a close with both pensioners and bondholders impaired, reinforcing concerns about the priority assigned to general obligation debt.

Factors Affecting Performance

Relative to the Barclays Municipal Bond Index, strong bond selection in bonds rated BBB⁽¹⁾ and higher was a contributor to relative performance. Positive bond selection in the *credit enhanced*, *general obligation* and *health care* sectors also benefited relative performance.

The fund's longer duration⁽⁴⁾ stance relative to the benchmark also benefited relative returns as interest rates declined during the period.

Conversely, bond selection in bonds rated BB hindered performance relative to the Barclays Municipal Bond Index.

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Management Review continued

The fund employs leverage which has been created through the issuance of variable rate municipal term preferred shares. To the extent that investments are purchased through the use of leverage, the fund's net asset value will increase or decrease at a greater rate than a comparable unleveraged fund. During the reporting period, the fund's leverage positively impacted performance.

Respectfully,

Michael Dawson
Portfolio Manager

Geoffrey Schechter
Portfolio Manager

(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.

(r) Bonds rated BBB, Baa, or higher are considered investment grade; bonds rated BB, Ba, or below are considered non-investment grade. The source for bond quality ratings is Moody's Investors Service, Standard & Poor's and Fitch, Inc. and are applied using 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). For securities which are not rated by any of the three agencies, the security is considered Not Rated.

The views expressed in this report are those of the portfolio managers only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

Table of Contents**PERFORMANCE SUMMARY THROUGH 11/30/14**

The following chart represents the fund's historical performance in comparison to its benchmark(s). Investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than their original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a shareholder would pay on fund distributions or the sale of fund shares. Performance data shown represents past performance and is no guarantee of future results.

Price Summary for MFS California Municipal Fund

| | | Date | Price |
|----------|-----------------|--------------------|---------|
| | Net Asset Value | 11/30/14 | \$12.55 |
| | | 11/30/13 | \$11.33 |
| | NYSE MKT Price | 11/30/14 | \$10.91 |
| Year | | 5/20/14 (high) (t) | \$11.20 |
| Ended | | 12/09/13 (low) (t) | \$9.64 |
| 11/30/14 | | 11/30/13 | \$9.76 |

Total Returns vs Benchmark

| | | |
|------------|-----------------------------------|--------|
| | MFS California Municipal Fund at | |
| | NYSE MKT Price (r) | 18.45% |
| | Net Asset Value (r) | 17.38% |
| Year Ended | Barclays Municipal Bond Index (f) | |
| 11/30/14 | | 8.23% |

(f) Source: FactSet Research Systems Inc.

(r) Includes reinvestment of dividends and capital gain distributions.

(t) For the period December 1, 2013 through November 30, 2014.

Benchmark Definition

Barclays Municipal Bond Index a market capitalization-weighted index that measures the performance of the tax-exempt bond market.

It is not possible to invest directly in an index.

Notes to Performance Summary

The fund's shares may trade at a discount or premium to net asset value. When fund shares trade at a premium, buyers pay more than the net asset value 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.

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Performance Summary continued

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.

Net asset values and performance results based on net asset value per share do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the Statement of Assets and Liabilities or the Financial Highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

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.

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PORTFOLIO MANAGERS PROFILES

| Portfolio Manager | Primary Role | Since | Title and Five Year History |
|--------------------------|---------------------|--------------|--|
| Michael Dawson | Portfolio Manager | 2007 | Investment Officer of MFS; employed in the investment management area of MFS since 1998. |
| Geoffrey Schechter | Portfolio Manager | 2007 | Investment Officer of MFS; employed in the investment management area of MFS since 1993. |

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DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The fund offers a Dividend Reinvestment and Cash Purchase Plan (the Plan) that allows common shareholders to reinvest either all of the distributions paid by the fund or only the long-term capital gains. Generally, purchases are made at the market price unless that price exceeds the net asset value (the shares are trading at a premium). If the shares are trading at a premium, purchases will be made at a price of either the net asset value or 95% of the market price, whichever is greater. You can also buy shares on a quarterly basis in any amount \$100 and over. The Plan Agent will purchase shares under the Cash Purchase Plan on the 15th of January, April, July, and October or shortly thereafter.

If shares are registered in your own name, new shareholders will automatically participate in the Plan, unless you have indicated that you do not wish to participate. If your shares are in the name of a brokerage firm, bank, or other nominee, you can ask the firm or nominee to participate in the Plan on your behalf. If the nominee does not offer the Plan, you may wish to request that your shares be re-registered in your own name so that you can participate. There is no service charge to reinvest distributions, nor are there brokerage charges for shares issued directly by the fund. However, when shares are bought on the NYSE MKT or otherwise on the open market, each participant pays a pro rata share of the transaction expenses, including commissions. Dividends and capital gains distributions are taxable whether received in cash or reinvested in additional shares the automatic reinvestment of distributions does not relieve you of any income tax that may be payable (or required to be withheld) on the distributions.

You may withdraw from the Plan at any time by going to the Plan Agent's website at www.computershare.com, by calling 1-800-637-2304 any business day from 9 a.m. to 5 p.m. Eastern time or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940 - 3078. Please have available the name of the fund and your account number. For certain types of registrations, such as corporate accounts, instructions must be submitted in writing. Please call for additional details. When you withdraw from the Plan, you can receive the value of the reinvested shares in one of three ways: your full shares will be held in your account, the Plan Agent will sell your shares and send the proceeds to you, or you may transfer your full shares to your investment professional who can hold or sell them. Additionally, the Plan Agent will sell your fractional shares and send the proceeds to you.

If you have any questions or for further information or a copy of the Plan, contact the Plan Agent Computershare Trust Company, N.A. (the Transfer Agent for the fund) at 1-800-637-2304, at the Plan Agent's website at www.computershare.com, or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940 - 3078.

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11/30/14

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 - 165.4%

| Issuer | Shares/Par | Value (\$) |
|--|-------------------|-------------------|
| Airport Revenue - 9.0% | | |
| Los Angeles, CA, Department of Airports Rev. (Los Angeles International), C , BHAC, 5.25%, 5/15/38 | \$ 750,000 | \$ 829,009 |
| Orange County, CA, Airport Rev., A , 5%, 7/01/31 | 190,000 | 212,779 |
| San Diego County, CA, Regional Airport Authority Rev., A , 5%, 7/01/21 | 500,000 | 582,520 |
| San Diego County, CA, Regional Airport Authority Rev., A , 5%, 7/01/43 | 500,000 | 552,030 |
| San Francisco, CA, City & County Airports Commission, International Airport Rev., A , 5%, 5/01/30 | 285,000 | 318,602 |
| San Francisco, CA, City & County Airports Commission, International Airport Rev., A , 5%, 5/01/31 | 150,000 | 167,162 |
| San Jose, CA, Airport Rev., A-2 , 5.25%, 3/01/34 | 440,000 | 484,906 |

\$ 3,147,008

General Obligations - General Purpose - 10.8%

| | | |
|--|------------|------------|
| Los Angeles County, CA, Regional Financing Authority Rev. (Montecedro Inc. Project), A , CALHF, 5%, 11/15/44 | \$ 300,000 | \$ 327,939 |
| State of California, AMBAC, 6%, 2/01/17 | 1,000,000 | 1,118,530 |
| State of California, 5%, 11/01/21 | 515,000 | 620,153 |
| State of California, 5.25%, 4/01/35 | 455,000 | 526,740 |
| State of California, 5.5%, 3/01/40 | 630,000 | 720,663 |
| State of California, 5.25%, 11/01/40 | 415,000 | 475,623 |

\$ 3,789,648

General Obligations - Schools - 27.4%

| | | |
|--|------------|------------|
| Alhambra, CA, Unified School District, B , ASSD GTY, 5.25%, 8/01/28 | \$ 500,000 | \$ 574,365 |
| Banning, CA, Unified School District (Election of 2006), B , ASSD GTY, 5.25%, 8/01/33 | 500,000 | 554,650 |
| Beaumont, CA, Unified School District (Election of 2008), Capital Appreciation, C , AGM, 0%, 8/01/40 | 955,000 | 297,568 |
| Beaumont, CA, Unified School District (Election of 2008), Capital Appreciation, C , AGM, 0%, 8/01/44 | 1,000,000 | 256,140 |
| Chabot-Las Positas, CA, Community College (Election of 2004), B , AMBAC, 5%, 8/01/30 | 60,000 | 64,170 |
| Folsom Cordova, CA, Unified School District (Election of 2012), A , 5%, 10/01/38 | 535,000 | 596,760 |
| Huntington Beach, CA, Union High School District (Orange County), 5%, 8/01/21 | 235,000 | 285,619 |
| Lake Tahoe, CA, Unified School District (Election of 2008), Capital Appreciation, AGM, 0%, 8/01/45 | 515,000 | 273,264 |

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Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|-------------------|-------------------|
| Municipal Bonds - continued | | |
| General Obligations - Schools - continued | | |
| Mendocino Lake, CA, Community College District Rev. (Election of 2006), Capital Appreciation, B , AGM, 0%, 8/01/32 | \$ 330,000 | \$ 156,206 |
| Montebello, CA, Unified School District (Election of 2004), A-1 , ASSD GTY, 5.25%, 8/01/34 | 355,000 | 395,044 |
| Napa Valley, CA, Unified School District, 5%, 8/01/20 | 225,000 | 266,643 |
| Pittsburg, CA, Unified School District, B , AGM, 5.5%, 8/01/34 | 500,000 | 566,580 |
| Pomona, CA, Unified School District, A , NATL, 6.55%, 8/01/29 | 1,000,000 | 1,362,080 |
| San Diego, CA, Community College (Election of 2002), 5.25%, 8/01/33 | 125,000 | 143,531 |
| San Diego, CA, Unified School District (Election of 2008), Capital Appreciation, G , 0%, 7/01/34 | 265,000 | 103,112 |
| San Joaquin, CA, Delta Community College District (Election of 2004), B , Capital Appreciation, AGM, 0%, 8/01/18 | 400,000 | 382,300 |
| San Jose, CA, Evergreen Community College District (Election of 2010), A , 5%, 8/01/41 | 265,000 | 296,217 |
| Santee, CA, School District (Election of 2006), Capital Appreciation, D , ASSD GTY, 0%, 8/01/43 | 765,000 | 183,761 |
| Vallejo City, CA, Unified School District, A , NATL, 5.9%, 8/01/25 | 500,000 | 559,760 |
| Victor, CA, Elementary School District (Election of 2008), A , ASSD GTY, 5.125%, 8/01/34 | 500,000 | 557,860 |
| Washington, CA, Yolo County Unified School District (New High School Project), 5%, 8/01/21 | 450,000 | 492,908 |
| West Contra Costa, CA, Unified School District, A , NATL, 5.7%, 2/01/23 | 500,000 | 625,820 |
| West Covina, CA, Unified School District, A , NATL, 5.8%, 2/01/21 | 500,000 | 593,785 |
| | | \$ 9,588,143 |
| Healthcare Revenue - Hospitals - 24.3% | | |
| ABAG Finance Authority for Non-Profit Corps., CA, Rev. (Sharp Healthcare), 6.25%, 8/01/39 | \$ 505,000 | \$ 592,183 |
| ABAG Finance Authority for Non-Profit Corps., CA, Rev. (Sharp Healthcare), A , 5%, 8/01/26 | 110,000 | 125,907 |
| California Health Facilities Financing Authority Rev. (Cedars-Sinai Medical Center), 5%, 11/15/34 | 250,000 | 258,623 |
| California Health Facilities Financing Authority Rev. (Memorial Health Services), A , 5%, 10/01/33 | 295,000 | 332,152 |
| California Health Facilities Financing Authority Rev. (Scripps Health), A , 5%, 11/15/32 | 525,000 | 591,822 |
| California Health Facilities Financing Authority Rev. (Scripps Health), A , 5%, 11/15/40 | 255,000 | 281,890 |
| California Health Facilities Financing Authority Rev. (Sutter Health), B , 5.875%, 8/15/31 | 500,000 | 600,585 |
| California Municipal Finance Authority, COP (Community Hospitals of Central California), 5.25%, 2/01/27 | 250,000 | 265,618 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|---|-------------------|-------------------|
| Municipal Bonds - continued | | |
| Healthcare Revenue - Hospitals - continued | | |
| California Statewide Communities Development Authority Rev. (Adventist), ASSD GTY, 5%, 3/01/37 | \$ 500,000 | \$ 535,465 |
| California Statewide Communities Development Authority Rev. (Catholic Healthcare West), K , ASSD GTY, 5.5%, 7/01/41 | 1,000,000 | 1,089,600 |
| California Statewide Communities Development Authority Rev. (Enloe Medical Center), A , CALHF, 5.5%, 8/15/23 | 500,000 | 564,960 |
| California Statewide Communities Development Authority Rev. (Huntington Memorial Hospital), 5%, 7/01/35 | 535,000 | 544,320 |
| California Statewide Communities Development Authority Rev. (Kaiser Permanente), A , 5%, 4/01/42 | 455,000 | 500,609 |
| California Statewide Communities Development Authority Rev. (Santa Ynez Valley Cottage Hospital), 5.25%, 11/01/30 | 260,000 | 294,172 |
| California Statewide Communities Development Authority Rev. (Sutter Health), A , 5%, 8/15/32 | 610,000 | 696,449 |
| California Statewide Communities Development Authority Rev. (Trinity Health Corp.), 5%, 12/01/41 | 450,000 | 496,251 |
| Santa Clara County, CA, Financing Authority Rev. (El Camino Hospital), AMBAC, 5.125%, 2/01/41 | 400,000 | 428,888 |
| Upland, CA, COP (San Antonio Community Hospital), 6.375%, 1/01/32 | 250,000 | 292,915 |
| | | \$ 8,492,409 |
| Healthcare Revenue - Long Term Care - 3.0% | | |
| ABAG Finance Authority for Non-Profit Corps., CA, Rev. (Episcopal Senior Communities), 6.125%, 7/01/41 | \$ 150,000 | \$ 173,142 |
| ABAG Finance Authority for Non-Profit Corps., CA, Rev. (Eskaton Properties, Inc.), 5%, 11/15/35 | 230,000 | 239,768 |
| California Statewide Communities Development Authority Rev. (899 Charleston Project), A , 5.25%, 11/01/44 | 295,000 | 296,342 |
| California Statewide Communities Development Authority Rev. (Episcopal Communities & Services for Seniors Obligated Group), 5%, 5/15/47 | 315,000 | 335,532 |
| | | \$ 1,044,784 |
| Industrial Revenue - Other - 1.7% | | |
| Liberty, NY, Development Corp. Rev. (Goldman Sachs Headquarters), 5.25%, 10/01/35 | \$ 485,000 | \$ 580,855 |
| Miscellaneous Revenue - Other - 4.1% | | |
| ABAG Finance Authority for Non-Profit Corps., CA, Rev. (Jackson Lab), 5%, 7/01/37 | \$ 400,000 | \$ 431,336 |
| ABAG Finance Authority for Non-Profit Corps., CA, Rev. (Jackson Lab), 5.75%, 7/01/37 (Prerefunded 7/01/15) | 385,000 | 405,162 |
| California Infrastructure & Economic Development Bank Rev. (Walt Disney Family Museum), 5.25%, 2/01/33 | 160,000 | 175,435 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|-------------------|-------------------|
| Municipal Bonds - continued | | |
| Miscellaneous Revenue - Other - continued | | |
| California Statewide Communities Development Authority (Buck Institute for Research on Aging), AGM, 5%, 11/15/44 | \$ 385,000 | \$ 424,316 |
| | | \$ 1,436,249 |
| Port Revenue - 4.2% | | |
| Alameda Corridor Transportation Authority, California Rev., A, AGM, 5%, 10/01/28 | \$ 305,000 | \$ 357,408 |
| Port of Oakland, CA, Rev., P, 5%, 5/01/33 | 1,000,000 | 1,110,930 |
| | | \$ 1,468,338 |
| Sales & Excise Tax Revenue - 2.2% | | |
| California Economic Recovery, A, 5%, 7/01/20 | \$ 250,000 | \$ 294,390 |
| Los Angeles County, CA, Metropolitan Transportation Authority Sales Tax Rev., A, 5%, 7/01/20 | 250,000 | 300,208 |
| Puerto Rico Sales Tax Financing Corp., Sales Tax Rev., C, 5%, 8/01/40 | 50,000 | 38,890 |
| Puerto Rico Sales Tax Financing Corp., Sales Tax Rev., C, 5.25%, 8/01/40 | 165,000 | 130,301 |
| | | \$ 763,789 |
| Single Family Housing - Other - 1.2% | | |
| California Department of Veterans Affairs, Home Purchase Rev., A, 4.5%, 12/01/28 | \$ 385,000 | \$ 418,611 |
| Single Family Housing - State - 3.3% | | |
| California Housing Finance Agency Rev. (Home Mortgage), E, 4.75%, 2/01/30 | \$ 305,000 | \$ 308,477 |
| California Housing Finance Agency Rev. (Home Mortgage), K, 5.3%, 8/01/23 | 190,000 | 195,537 |
| California Housing Finance Agency Rev. (Home Mortgage), L, 5.45%, 8/01/33 | 555,000 | 572,238 |
| California Housing Finance Agency Rev. (Home Mortgage), L, FNMA, 5.5%, 8/01/38 | 80,000 | 82,399 |
| | | \$ 1,158,651 |
| State & Agency - Other - 1.4% | | |
| Sacramento County, CA, Public Facilities Project, COP, AMBAC, 4.75%, 10/01/27 | \$ 500,000 | \$ 500,165 |
| State & Local Agencies - 17.8% | | |
| California Public Works Board Lease Rev. (Judicial Council Projects), A, 5%, 3/01/28 | \$ 380,000 | \$ 436,027 |
| California Public Works Board Lease Rev. (New Stockton Courthouse), B, 5%, 10/01/33 | 275,000 | 315,447 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|--|--------------|--------------|
| Municipal Bonds - continued | | |
| State & Local Agencies - continued | | |
| Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., FGIC, 5%, 6/01/35 | \$ 255,000 | \$ 261,008 |
| Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., BHAC, 5%, 6/01/38 | 1,000,000 | 1,022,350 |
| Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., Enhanced, A, FGIC, 5%, 6/01/38 | 1,000,000 | 1,022,190 |
| Los Angeles County, CA, Schools Regionalized Business Service Corp., Pooled Financing, Capital Appreciation, A, AMBAC, 0%, 8/01/18 | 2,020,000 | 1,855,067 |
| Los Angeles County, CA, Schools Regionalized Business Service Corp., Pooled Financing, Capital Appreciation, A, AMBAC, 0%, 8/01/23 | 1,220,000 | 875,350 |
| Los Angeles, CA, Municipal Improvement Corp. Lease Rev., B, ASSD GTY, 5.5%, 4/01/30 | 390,000 | 443,531 |
| | | \$ 6,230,970 |
| Tax Assessment - 10.6% | | |
| Fontana, CA, Public Finance Authority, Tax Allocation Rev. (Sub Lien North Fontana Redevelopment), A, AMBAC, 5%, 10/01/29 | \$ 1,000,000 | \$ 1,010,860 |
| Huntington Park, CA, Public Financing Authority Rev., A, AGM, 5.25%, 9/01/19 | 500,000 | 511,295 |
| Irvine, CA, Limited Obligation Improvement (Reassessment District #12-1), 4%, 9/02/22 | 115,000 | 128,884 |
| Irvine, CA, Limited Obligation Improvement (Reassessment District #12-1), 5%, 9/02/23 | 60,000 | 70,135 |
| North Natomas, CA, Community Facilities District Special Tax, 4-E, 5.25%, 9/01/33 | 160,000 | 178,755 |
| Riverside County, CA, Redevelopment Agency, Tax Allocation, A, AGM, 5%, 10/01/34 | 295,000 | 333,613 |
| San Diego, CA, Redevelopment Agency, Tax Allocation (Centre City), A, AMBAC, 5.25%, 9/01/25 | 500,000 | 519,910 |
| San Dieguito, CA, Public Facilities Authority, A, AMBAC, 5%, 8/01/32 | 500,000 | 536,920 |
| San Francisco, CA, City & County Redevelopment Successor Agency Tax Allocation (Mission Bay South Public Improvements), A, 5%, 8/01/43 | 250,000 | 272,158 |
| San Francisco, CA, City & County Redevelopment Successor Agency, Community Facilities District No. 6 (Mission Bay South Public Improvements), A, 5%, 8/01/33 | 130,000 | 138,763 |
| | | \$ 3,701,293 |
| Tobacco - 3.9% | | |
| Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., A-1, 5.125%, 6/01/47 | \$ 1,000,000 | \$ 760,780 |
| Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., A-1, 5.75%, 6/01/47 | 715,000 | 597,032 |
| | | \$ 1,357,812 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|---|-------------------|-------------------|
| Municipal Bonds - continued | | |
| Toll Roads - 1.0% | | |
| Riverside County, CA, Transportation Commission, Toll Rev., A, 5.75%, 6/01/44 | \$ 320,000 | \$ 363,200 |
| Transportation - Special Tax - 2.5% | | |
| Commonwealth of Puerto Rico Highway & Transportation Authority, Highway Rev., Y, AGM, 5.5%, 7/01/36 (Prerefunded 7/01/16) | \$ 450,000 | \$ 486,878 |
| San Francisco, CA, Municipal Transportation Agency Rev., B, 5%, 3/01/37 | 335,000 | 375,079 |
| | | \$ 861,957 |
| Universities - Colleges - 6.0% | | |
| California Educational Facilities Authority Rev. (Dominican University of California), 5%, 12/01/25 | \$ 120,000 | \$ 127,004 |
| California Educational Facilities Authority Rev. (University of San Francisco), 6.125%, 10/01/30 | 285,000 | 343,901 |
| California Public Works Board Lease Rev. (The Regents of the University of California), 5%, 12/01/28 (Prerefunded 12/01/21) | 375,000 | 458,498 |
| California State University Rev., A, 5%, 11/01/24 | 370,000 | 437,640 |
| California Statewide Communities Development Authority Rev. (Lancer Plaza Project), 5.875%, 11/01/43 | 230,000 | 241,953 |
| University Enterprises, Inc. (Auxiliary Organization), A, FGIC, 4.375%, 10/01/30 | 500,000 | 502,215 |
| | | \$ 2,111,211 |
| Universities - Secondary Schools - 0.7% | | |
| California Statewide Communities Development Authority, School Facility Rev. (Alliance for College-Ready Public Schools), A, 6.375%, 7/01/47 | \$ 230,000 | \$ 243,007 |
| Utilities - Cogeneration - 0.7% | | |
| California Pollution Control Financing Authority, Water Furnishing Rev. (Poseidon Resources Desalination Project), 5%, 11/21/45 | \$ 150,000 | \$ 159,617 |
| California Pollution Control Financing Authority, Water Furnishing Rev. (San Diego County Water Desalination Project Pipeline), 5%, 11/21/45 | 75,000 | 77,374 |
| | | \$ 236,991 |
| Utilities - Municipal Owned - 10.2% | | |
| California Department of Water Resources, Power Supply Rev., L, 5%, 5/01/19 | \$ 805,000 | \$ 944,748 |
| California Department of Water Resources, Power Supply Rev., N, 5%, 5/01/20 | 205,000 | 245,336 |
| Guam Power Authority Rev., A, AGM, 5%, 10/01/39 | 50,000 | 56,367 |
| Guam Power Authority Rev., A, AGM, 5%, 10/01/44 | 55,000 | 61,760 |

Table of Contents*Portfolio of Investments continued*

| Issuer | Shares/Par | Value (\$) |
|---|------------|--------------|
| Municipal Bonds - continued | | |
| Utilities - Municipal Owned - continued | | |
| Northern California Power Agency, Capital Facilities Rev., A , 5.25%, 8/01/24 | \$ 390,000 | \$ 444,861 |
| Puerto Rico Electric Power Authority Rev., DDD , AGM, 3.625%, 7/01/23 | 10,000 | 9,410 |
| Puerto Rico Electric Power Authority Rev., DDD , AGM, 3.65%, 7/01/24 | 55,000 | 51,149 |
| Puerto Rico Electric Power Authority Rev., SS , ASSD GTY, 4.375%, 7/01/30 | 5,000 | 4,659 |
| Puerto Rico Electric Power Authority Rev., UU , ASSD GTY, 4.25%, 7/01/27 | 40,000 | 37,011 |
| Sacramento, CA, Municipal Utility District Rev., U , AGM, 5%, 8/15/19 | 750,000 | 862,530 |
| Sacramento, CA, Municipal Utility District Rev., X , 5%, 8/15/25 | 370,000 | 428,952 |
| Vernon, CA, Electric System Rev., A , 5.5%, 8/01/41 | 370,000 | 409,893 |
| | | \$ 3,556,676 |
| Utilities - Other - 2.8% | | |
| California M-S-R Energy Authority Gas Rev., A , 6.5%, 11/01/39 | \$ 245,000 | \$ 333,857 |
| Southern California Public Power Authority (Natural Gas Project No. 1), A , 5%, 11/01/33 | 585,000 | 662,910 |
| | | \$ 996,767 |
| Water & Sewer Utility Revenue - 16.6% | | |
| Atwater, CA, Public Financing Authority Wastewater Rev., ASSD GTY, 5%, 5/01/34 | \$ 500,000 | \$ 514,315 |
| California Department of Water Resources Rev. (Central Valley Project Water System), AE , 5%, 12/01/28 (Prerefunded 6/01/18) | 480,000 | 548,621 |
| California Department of Water Resources Rev. (Central Valley Project Water System), AE , 5%, 12/01/28 | 20,000 | 22,549 |
| California Department of Water Resources Rev. (Central Valley Project Water System), AM , 5%, 12/01/24 | 500,000 | 612,705 |
| Chino Basin, CA, Regional Financing Authority Rev. (Inland Empire Utilities Agency), A , AMBAC, 5%, 11/01/38 | 1,000,000 | 1,093,630 |
| Escondido, CA, Joint Powers Financing Authority Rev. (Water System Financing), 5%, 9/01/41 | 460,000 | 497,370 |
| Guam Waterworks Authority Rev. (Water and Wastewater System), A , 5%, 7/01/29 | 105,000 | 117,357 |
| Guam Waterworks Authority Rev. (Water and Wastewater System), A , 5%, 7/01/35 | 105,000 | 115,743 |
| Madera, CA, Financing Authority, Irrigation Rev., 6.5%, 1/01/40 | 440,000 | 515,640 |
| Norco, CA, Financing Authority, Enterprise Rev., AGM, 5.625%, 10/01/39 | 215,000 | 242,344 |
| Oxnard, CA, Financing Authority, Wastewater Rev., AGM, 5%, 6/01/30 | 340,000 | 386,488 |
| Oxnard, CA, Financing Authority, Wastewater Rev., AGM, 5%, 6/01/31 | 85,000 | 96,251 |

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Portfolio of Investments continued

| Issuer | Shares/Par | Value (\$) |
|---|------------|----------------------|
| Municipal Bonds - continued | | |
| Water & Sewer Utility Revenue - continued | | |
| Sonoma County, CA, Water Agency Rev., A, AGM, 5%, 7/01/36 | \$ 600,000 | \$ 637,470 |
| Soquel Creek, CA, Water District, COP, 5%, 3/01/43 | 370,000 | 407,759 |
| | | \$ 5,808,242 |
| Total Municipal Bonds (Identified Cost, \$53,709,473) | | \$ 57,856,776 |
| Money Market Funds - 2.5% | | |
| MFS Institutional Money Market Portfolio, 0.09%, at Cost and Net Asset Value (v) | 868,573 | \$ 868,573 |
| Total Investments (Identified Cost, \$54,578,046) | | \$ 58,725,349 |
| Other Assets, Less Liabilities - 1.9% | | 668,709 |
| VMTPS, at liquidation value (issued by the fund) - (69.8)% | | (24,425,000) |
| Net assets applicable to common shares - 100.0% | | \$ 34,969,058 |

(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 Health Facility Construction Loan Insurance Program |
| FGIC | Financial Guaranty Insurance Co. |
| FNMA | Federal National Mortgage Assn. |
| NATL | National Public Finance Guarantee Corp. |

Table of Contents*Portfolio of Investments continued***Derivative Contracts at 11/30/14****Futures Contracts at 11/30/14**

| Description | Currency | Contracts | Value | Expiration Date | Unrealized Appreciation (Depreciation) |
|----------------------------------|----------|-----------|-------------|-----------------|--|
| Liability Derivatives | | | | | |
| Interest Rate Futures | | | | | |
| U.S. Treasury Note 10 yr (Short) | USD | 20 | \$2,540,938 | March - 2015 | \$(18,508) |
| U.S. Treasury Bond 30 yr (Short) | USD | 4 | 570,500 | March - 2015 | (7,514) |
| | | | | | \$(26,022) |

At November 30, 2014, the fund had cash collateral of \$31,800 to cover any commitments for securities sold short and certain derivative contracts. Cash collateral is comprised of Deposits with brokers on the Statement of Assets and Liabilities.

See Notes to Financial Statements

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

At 11/30/14

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

| | |
|---|--------------|
| Assets | |
| Investments- | |
| Non-affiliated issuers, at value (identified cost, \$53,709,473) | \$57,856,776 |
| Underlying affiliated funds, at cost and value | 868,573 |
| Total investments, at value (identified cost, \$54,578,046) | \$58,725,349 |
| Deposits with brokers | 31,800 |
| Receivables for | |
| Interest | 715,949 |
| Deferred VMTPS offering costs | 30,226 |
| Receivable from investment adviser | 5,015 |
| Other assets | 1,250 |
| Total assets | \$59,509,589 |
| Liabilities | |
| Payables for | |
| Distributions on common shares | \$109 |
| Daily variation margin on open futures contracts | 8,750 |
| Interest expense | 26,018 |
| Payable to affiliates | |
| Transfer agent and dividend disbursing costs | 25 |
| Payable for independent Trustees' compensation | 10 |
| Accrued expenses and other liabilities | 80,619 |
| VMTPS, at liquidation value | 24,425,000 |
| Total liabilities | \$24,540,531 |
| Net assets applicable to common shares | \$34,969,058 |
| Net assets consist of | |
| Paid-in capital - common shares | \$40,334,626 |
| Unrealized appreciation (depreciation) on investments | 4,121,281 |
| Accumulated net realized gain (loss) on investments | (9,528,837) |
| Undistributed net investment income | 41,988 |
| Net assets applicable to common shares | \$34,969,058 |
| 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 | \$59,394,058 |
| Common shares of beneficial interest issued and outstanding | 2,786,238 |
| Net asset value per common share (net assets of \$34,969,058 / 2,786,238 shares of beneficial interest outstanding) | \$12.55 |

See Notes to Financial Statements

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

Year ended 11/30/14

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.

| | |
|---|-------------|
| Net investment income | |
| Income | |
| Interest | \$2,589,923 |
| Dividends from underlying affiliated funds | 703 |
| Total investment income | \$2,590,626 |
| Expenses | |
| Management fee | \$377,487 |
| Transfer agent and dividend disbursing costs | 6,160 |
| Administrative services fee | 18,573 |
| Independent Trustees compensation | 10,545 |
| Stock exchange fee | 15,002 |
| Custodian fee | 10,723 |
| Shareholder communications | 18,558 |
| Audit and tax fees | 77,165 |
| Legal fees | 5,697 |
| Amortization of VMTPS offering costs | 16,819 |
| Interest expense | 318,238 |
| Miscellaneous | 52,140 |
| Total expenses | \$927,107 |
| Fees paid indirectly | (1) |
| Reduction of expenses by investment adviser | (127,323) |
| Net expenses | \$799,783 |
| Net investment income | \$1,790,843 |
| Realized and unrealized gain (loss) on investments | |
| Realized gain (loss) (identified cost basis) | |
| Investments | \$(117,284) |
| Futures contracts | (141,535) |
| Net realized gain (loss) on investments | \$(258,819) |
| Change in unrealized appreciation (depreciation) | |
| Investments | \$3,660,839 |
| Futures contracts | (33,128) |
| Net unrealized gain (loss) on investments | \$3,627,711 |
| Net realized and unrealized gain (loss) on investments | \$3,368,892 |
| Change in net assets from operations | \$5,159,735 |

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.

| | Years ended 11/30 | |
|---|--------------------------|---------------|
| | 2014 | 2013 |
| Change in net assets | | |
| From operations | | |
| Net investment income | \$1,790,843 | \$1,836,979 |
| Net realized gain (loss) on investments | (258,819) | (95,743) |
| Net unrealized gain (loss) on investments | 3,627,711 | (4,783,686) |
| Change in net assets from operations | \$5,159,735 | \$(3,042,450) |
| Distributions declared to common shareholders | | |
| From net investment income | \$(1,744,185) | \$(1,713,536) |
| Total change in net assets | \$3,415,550 | \$(4,755,986) |
| Net assets applicable to common shares | | |
| At beginning of period | 31,553,508 | 36,309,494 |
| At end of period (including undistributed net investment income of \$41,988 and \$68,962, respectively) | \$34,969,058 | \$31,553,508 |
| See Notes to Financial Statements | | |

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

Year ended 11/30/14

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

| | |
|--|---------------|
| Cash flows from operating activities: | |
| Change in net assets from operations | \$5,159,735 |
| Adjustments to reconcile change in net assets from operations to net cash provided by operating activities: | |
| Purchase of investment securities | (9,906,143) |
| Proceeds from disposition of investment securities | 10,471,936 |
| Payments for futures contracts | (141,535) |
| Purchases of short-term investments, net | (484,279) |
| Realized gain/loss on investments | 117,284 |
| Realized gain/loss on futures contracts | 141,535 |
| Unrealized appreciation/depreciation on investments | (3,660,839) |
| Net amortization/accretion of income | (20,077) |
| Amortization of VMTPS offering costs | 16,819 |
| Decrease in interest receivable | 40,921 |
| Decrease in accrued expenses and other liabilities | (4,099) |
| Increase in receivable from investment adviser | (5,015) |
| Decrease in receivable for daily variation margin on open futures contracts | 2,188 |
| Increase in payable for daily variation margin on open futures contracts | 8,750 |
| Decrease in deposits with brokers | 7,700 |
| Increase in other assets | (37) |
| Decrease in payable for interest expense | (351) |
| Net cash provided by operating activities | \$1,744,493 |
| Cash flows from financing activities: | |
| Cash distributions paid on common shares | (1,744,493) |
| Net cash used by financing activities | \$(1,744,493) |
| Cash: | |
| Beginning of period | \$ |
| End of period | \$ |
| Supplemental disclosure of cash flow information: | |

Cash paid during the year ended November 30, 2014 for interest was \$318,589.

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 past 5 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 | Years ended 11/30 | | | | |
|---|--------------------------|-------------|-------------|-------------|-------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Net asset value, beginning of period | \$11.32 | \$13.03 | \$10.71 | \$10.48 | \$10.66 |
| Income (loss) from investment operations | | | | | |
| Net investment income (d) | \$0.64 | \$0.66 | \$0.70 | \$0.79 | \$0.86 |
| Net realized and unrealized gain (loss) on investments | 1.22 | (1.75) | 1.92 | 0.26 | (0.18) |
| Distributions declared to shareholders of ARPS | | | (0.02) | (0.03) | (0.04) |
| Total from investment operations | \$1.86 | \$(1.09) | \$2.60 | \$1.02 | \$0.64 |
| Less distributions declared to shareholders | | | | | |
| From net investment income | \$(0.63) | \$(0.62) | \$(0.72) | \$(0.79) | \$(0.82) |
| Net increase resulting from tender and repurchase of ARPS | \$ | \$ | \$0.44 | \$ | \$ |
| Net asset value, end of period (x) | \$12.55 | \$11.32 | \$13.03 | \$10.71 | \$10.48 |
| Market value, end of period | \$10.91 | \$9.76 | \$12.71 | \$10.99 | \$10.75 |
| Total return at market value (%) (p) | 18.45 | (18.83) | 22.84 | 10.44 | 7.87 |
| Total return at net asset value (%) (j)(r)(s)(x) | 17.48 | (8.17) | 29.22(y) | 10.40 | 5.75 |
| Ratios (%) (to average net assets applicable to common shares) and Supplemental data: | | | | | |
| Expenses before expense reductions (f)(p) | 2.75 | 2.70 | 2.40 | 2.01 | 1.86 |
| Expenses after expense reductions (f)(p) | 2.38 | 2.42 | 1.94 | 1.49 | 1.44 |
| Net investment income (p) | 5.32 | 5.47 | 5.88 | 7.78 | 7.85 |
| Portfolio turnover | 17 | 12 | 19 | 40 | 21 |
| Net assets at end of period (000 omitted) | \$34,969 | \$31,554 | \$36,309 | \$29,845 | \$29,178 |
| Supplemental Ratios (%): | | | | | |
| Ratio of expenses to average net assets applicable to common shares after expense reductions and excluding interest expense and fees (f)(l)(p) | 1.43 | 1.43 | 1.40 | 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 and fees (f)(l)(p) | 0.83 | 0.83 | 0.81 | 0.80 | 0.80 |
| Net investment income available to common shares | 5.32 | 5.47 | 5.73 | 7.51 | 7.52 |

Table of Contents*Financial Highlights continued*

| | Years ended 11/30 | | | | |
|--|-------------------|----------|----------|----------|----------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Senior Securities: | | | | | |
| ARPS | | | | 978 | 978 |
| VMTPS | 977 | 977 | 977 | | |
| Total preferred shares outstanding | 977 | 977 | 977 | 978 | 978 |
| Asset coverage per preferred share (k) | \$60,792 | \$57,296 | \$62,164 | \$55,516 | \$54,834 |
| Involuntary liquidation preference per preferred share (m) | \$25,000 | \$25,000 | \$25,000 | \$25,000 | \$25,000 |
| Average market value per preferred share (m)(u) | \$25,000 | \$25,000 | \$25,000 | \$25,000 | \$25,000 |

- (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 liquidation preference of ARPS and VMTPS) from the fund's total assets and dividing this number by the total number of preferred shares outstanding.
- (l) Interest expense relates to interest expense paid to shareholders of VMTPS. For the year ended November 30, 2012, the expense ratio also excludes fees and expenses related to the tender and repurchase of the fund's ARPS.
- (m) Amount excludes accrued unpaid distributions on ARPS and accrued interest on VMTPS.
- (p) For the years ended November 30, 2010 through November 30, 2012, the ratio excludes dividend payment on ARPS.
- (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 be lower.
- (u) Average market value represents the approximate fair value of each of the fund's ARPS and VMTPS.
- (x) The net asset values per share and total returns at net asset value per share have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.
- (y) Included in the total return at net asset value for the year ended November 30, 2012 is the impact of the tender and repurchase by the fund of a portion of its ARPS at 95% of the ARPS per share liquidation preference. Had this transaction not occurred, the total return at net asset value for the year ended November 30, 2012 would have been lower by 3.34%.

See Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

(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 diversified closed-end management investment company.

The fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

(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 increases and decreases in net assets from operations 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 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, interest from the security could become taxable, the security could decline in value, and distributions made by the fund could be taxable to shareholders.

In June 2014, FASB issued Accounting Standards Update 2014-11, Transfers and Servicing (Topic 860) – Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures (ASU 2014-11). ASU 2014-11 changes the accounting for repurchase-to-maturity transactions (i.e., repurchase agreements that settle at the same time as the maturity of the transferred financial asset) and enhances the required disclosures for repurchase agreements and other similar transactions. Although still evaluating the potential impacts of ASU 2014-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures which would first be effective for interim reporting periods beginning after March 15, 2015.

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Notes to Financial Statements continued

Balance Sheet Offsetting The fund's accounting policy with respect to balance sheet offsetting is that, absent an event of default by the counterparty or a termination of the agreement, the International Swaps and Derivatives Association (ISDA) Master Agreement does not result in an offset of reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific master netting agreement counterparty is subject. Balance sheet offsetting disclosures, to the extent applicable to the fund, have been included in the fund's Significant Accounting Policies note under the captions for each of the fund's in-scope financial instruments and transactions.

Investment Valuations Debt instruments and floating rate loans, 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 may be 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 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

Table of Contents*Notes to Financial Statements continued*

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 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 contracts. The following is a summary of the levels used as of November 30, 2014 in valuing the fund's assets or liabilities:

| Investments at Value | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|------------------|---------------------|----------------|---------------------|
| Municipal Bonds | \$ | \$57,856,776 | \$ | \$57,856,776 |
| Mutual Funds | 868,573 | | | 868,573 |
| Total Investments | \$868,573 | \$57,856,776 | \$ | \$58,725,349 |

Other Financial Instruments

| | | | | |
|-------------------|------------|----|----|------------|
| Futures Contracts | \$(26,022) | \$ | \$ | \$(26,022) |
|-------------------|------------|----|----|------------|

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

Derivatives The fund uses derivatives for different purposes, primarily to increase or decrease exposure to a particular market or segment of the market, or security, to increase or decrease interest rate exposure, 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.

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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 November 30, 2014 as reported in the Statement of Assets and Liabilities:

| Risk | Derivative Contracts | Fair Value (a) Liability Derivatives |
|---------------|-----------------------------|---|
| Interest Rate | Interest Rate Futures | \$(26,022) |

(a) The value of futures contracts 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.

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the year ended November 30, 2014 as reported in the Statement of Operations:

| Risk | Futures Contracts |
|---------------|--------------------------|
| Interest Rate | \$(141,535) |

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the year ended November 30, 2014 as reported in the Statement of Operations:

| Risk | Futures Contracts |
|---------------|--------------------------|
| Interest Rate | \$(33,128) |

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain, but not all, over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an 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. Upon an event of default or a termination of the ISDA Master Agreement, the non-defaulting party has the right 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. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific ISDA counterparty is subject.

Collateral and margin requirements differ by type of derivative. Margin requirements are set by the broker or clearing house for cleared derivatives (i.e., futures contracts, cleared swaps, and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, uncleared swap agreements, 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

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Notes to Financial Statements continued

party to the other to collateralize such obligations. Cash that has been segregated to cover the fund's collateral or margin obligations under derivative contracts, if any, will be reported separately in the Statement of Assets and Liabilities as Restricted cash or Deposits with brokers. Securities pledged as collateral or margin for the same purpose, if any, are 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 exposure, interest rate exposure, or to manage duration. 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 contracts is realized.

The fund bears the risk of interest 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 contracts 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.

Statement of Cash Flows Information on financial transactions which have been settled through the receipt or disbursement of cash is presented in the Statement of Cash Flows. The cash amount shown in the Statement of Cash Flows is the amount included within the fund's Statement of Assets and Liabilities and includes cash on hand at its custodian bank and does not include any short term investments.

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. Interest payments received in additional securities are recorded on the ex-interest date in an amount equal to the value of the security on such date.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in

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realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the year ended November 30, 2014, is shown as a reduction of total expenses in the Statement of Operations.

Tax Matters and Distributions The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable and tax-exempt income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns, when filed, will remain subject to examination by the Internal Revenue Service for a three year period. Management has analyzed the fund's tax positions taken on federal and state tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to amortization and accretion of debt securities, derivative transactions, and non-deductible expenses that result from the treatment of VMTPS as equity for tax purposes.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

| | 11/30/14 | 11/30/13 |
|--|-----------------|-----------------|
| Ordinary income (including any short-term capital gains) | \$917 | \$5,886 |
| Tax-exempt income | 2,061,506 | 2,037,115 |
| Total distributions | \$2,062,423 | \$2,043,001 |

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The federal tax cost and the tax basis components of distributable earnings were as follows:

| As of 11/30/14 | |
|--|--------------|
| Cost of investments | \$54,296,452 |
| Gross appreciation | 4,664,826 |
| Gross depreciation | (235,929) |
| Net unrealized appreciation (depreciation) | \$4,428,897 |
| Undistributed ordinary income | 765 |
| Undistributed tax-exempt income | 67,350 |
| Capital loss carryforwards | (9,796,910) |
| Post-October capital loss deferral | (39,543) |
| Other temporary differences | (26,127) |

Under the Regulated Investment Company Modernization Act of 2010 (the Act), net capital losses recognized for fund fiscal years beginning after November 30, 2011 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses (post-enactment losses). Previously, net capital losses were carried forward for eight years and treated as short-term losses (pre-enactment losses). As a transition rule, the Act requires that all post-enactment net capital losses be used before pre-enactment net capital losses.

As of November 30, 2014, the fund had capital loss carryforwards available to offset future realized gains as follows:

| Pre-enactment losses which expire as follows: | |
|--|---------------|
| 11/30/15 | \$(820,932) |
| 11/30/16 | (4,230,528) |
| 11/30/17 | (3,006,395) |
| 11/30/18 | (696,235) |
| 11/30/19 | (725,457) |
| Total | \$(9,479,547) |
| Post-enactment losses which are characterized as follows: | |
| Short-Term | \$(198,544) |
| Long-Term | (118,819) |
| Total | \$(317,363) |

(3) Transactions with Affiliates

Investment Adviser The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at an annual rate of 0.65% of the fund's average daily net assets (including the value of the variable rate municipal term preferred shares).

The investment adviser has agreed in writing to pay a portion of the fund's total annual operating expenses, exclusive of interest, taxes, extraordinary expenses, brokerage and transaction costs, and investment-related expenses other than preferred shares service

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Notes to Financial Statements continued

fees such that total fund operating expenses do not exceed 0.80% annually of the fund's average daily net assets (including the value of the variable rate municipal term preferred shares). This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until November 30, 2015. For the year ended November 30, 2014, this reduction amounted to \$127,265 and is included in the reduction of total expenses in the Statement of Operations.

Transfer Agent The fund engages Computershare Trust Company, N.A. (Computershare) as the sole transfer agent for the fund's common shares. MFS Service Center, Inc. (MFSC) monitors and supervises the activities of Computershare for an agreed upon fee approved by the Board of Trustees. For the year ended November 30, 2014, these fees paid to MFSC amounted to \$99.

Administrator MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of \$17,500 plus a fee based on average daily net assets (including the value of variable rate municipal term preferred shares). The administrative services fee incurred for the year ended November 30, 2014 was equivalent to an annual effective rate of 0.0320% of the fund's average daily net assets (including the value of variable rate municipal term preferred shares).

Trustees and Officers Compensation The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS and MFSC.

Other Effective November 1, 2014, this fund and certain other funds managed by MFS (the funds) have entered into a service agreement (the ISO Agreement) which provides for payment of fees solely by the funds to Tarantino LLC in return for the provision of services of an Independent Senior Officer (ISO) for the funds. Frank L. Tarantino serves as the ISO and is an officer of the funds and the sole member of Tarantino LLC. The funds can terminate the ISO Agreement with Tarantino LLC at any time under the terms of the ISO Agreement. Prior to November 1, 2014, the funds had entered into services agreements (the ICCO Agreements) which provided for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. Prior to November 1, 2014, Frank L. Tarantino served as the ICCO. Effective October 31, 2014, Mr. Tarantino resigned as ICCO and the ICCO Agreement between the funds and Tarantino LLC was terminated. Prior to June 1, 2014, Robyn L. Griffin served as the Assistant ICCO and was an officer of the funds. Ms. Griffin is the sole member of Griffin Compliance LLC. Effective May 31, 2014, Ms. Griffin resigned as Assistant ICCO and the ICCO Agreement between the funds and Griffin Compliance LLC was terminated. For the year ended November 30, 2014, the aggregate fees paid by the fund under these agreements were \$154 and are included in Miscellaneous expense in the Statement of Operations.

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Notes to Financial Statements continued

MFS had agreed to reimburse the fund for a portion of the payments made by the fund for the services under the ICCO Agreements in the amount of \$58, which is included in the reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO, Assistant ICCO, and ISO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks current income consistent with preservation of capital and liquidity. Income earned on this investment is included in Dividends from underlying affiliated funds in the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

For the year ended November 30, 2014, purchases and sales of investments, other than short-term obligations, aggregated \$9,906,143 and \$10,356,936, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. The fund reserves the right to repurchase shares of beneficial interest of the fund subject to Trustee approval. During the years ended November 30, 2014 and November 30, 2013, the fund did not repurchase any shares. There were no other transactions in fund shares for the years ended November 30, 2014 and November 30, 2013.

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a \$1.1 billion unsecured committed line of credit, subject to a \$1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the year ended November 30, 2014, the fund's commitment fee and interest expense were \$117 and \$0, respectively, and are included in Miscellaneous expense in the Statement of Operations.

Table of Contents*Notes to Financial Statements continued***(7) Transactions in Underlying Affiliated Funds-Affiliated Issuers**

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be an affiliated issuer:

| | Beginning | Acquisitions | Dispositions | Ending |
|--|--------------------|----------------------|---------------------|-------------------|
| | Shares/Par | Shares/Par | Shares/Par | Shares/Par |
| Underlying Affiliated Fund | Amount | Amount | Amount | Amount |
| MFS Institutional Money Market Portfolio | 384,294 | 9,479,058 | (8,994,779) | 868,573 |
| | Realized | Capital Gain | Dividend | Ending |
| Underlying Affiliated Fund | Gain (Loss) | Distributions | Income | Value |
| MFS Institutional Money Market Portfolio | \$ | \$ | \$703 | \$868,573 |

(8) Preferred Shares

The fund has 977 shares issued and outstanding of Variable Rate Municipal Term Preferred Shares (VMTPS), series 2016/9. The outstanding VMTPS are redeemable at the option of the fund in whole or in part at the liquidation preference of \$25,000 per share, plus accumulated and unpaid dividends, but generally solely for the purpose of decreasing the leverage of the fund. The VMTPS are subject to a mandatory term redemption date of September 30, 2016 unless extended through negotiation with the private investors. There is no assurance that the term of the VMTPS will be extended or that the VMTPS will be replaced with any other preferred shares or other form of leverage upon the redemption of the VMTPS. Six months prior to the term date of the VMTPS, the fund is required to begin to segregate liquid assets with the fund's custodian to fund the redemption. Dividends on the VMTPS are cumulative and are set weekly to a fixed spread against the Securities Industry and Financial Markets Association Municipal Swap Index. During the year ended November 30, 2014, the VMTPS dividend rates ranged from 1.28% to 1.37%. For the year ended November 30, 2014, the average dividend rate was 1.30%.

In the fund's Statement of Assets and Liabilities, the VMTPS aggregate liquidation preference is shown as a liability since they have a stated mandatory redemption date. Dividends paid to VMTPS are treated as interest expense and recorded as incurred. For the year ended November 30, 2014, interest expense related to VMTPS amounted to \$318,238 and is included in Interest expense in the Statement of Operations. Costs directly related to the issuance of the VMTPS are considered debt issuance costs which have been deferred and are being amortized into expense over the life of the VMTPS. The period-end carrying value for the VMTPS in the fund's Statement of Assets and Liabilities is its liquidation value which approximates its fair value and would be considered level 2 under the fair value hierarchy.

Under the terms of a purchase agreement between the fund and the investor in VMTPS, there are investment-related requirements that are in various respects more restrictive than those to which the fund is otherwise subject in accordance with its investment objectives and policies. In addition, the fund is subject to certain restrictions on its investments imposed by guidelines of the rating agencies that rate the ARPS and the VMTPS, which guidelines may be changed by the applicable rating agency, in its

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sole discretion, from time to time. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed on the fund by the Investment Company Act of 1940 (the 1940 Act). Such restrictions may limit the investment flexibility that might otherwise be pursued by the fund if the VMTPS were not outstanding.

The fund is required to maintain certain asset coverage with respect to the VMTPS as defined in the fund's governing documents and the 1940 Act and, as such, is not permitted to declare common share dividends unless the fund's VMTPS have a minimum asset coverage ratio of 200% after declaration of the common share dividends. With respect to the payment of dividends and as to the distribution of assets of the fund, VMTPS are senior in priority to the fund's outstanding common shares. To the extent that investments are purchased by the fund with proceeds from the issuance of preferred shares, including VMTPS, the fund's net asset value will increase or decrease at a greater rate than a comparable unleveraged fund. Changes in the value of the fund's portfolio will be borne entirely by the common shareholders. It is possible that the fund will be required to sell assets at a time when it may be disadvantageous to do so in order to redeem preferred shares to comply with asset coverage or other restrictions including those imposed by the rating agencies that rate the preferred shares. There is no assurance that the fund's leveraging strategy will be successful.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders of MFS California Municipal Fund:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS California Municipal Fund (the Fund), as of November 30, 2014, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of November 30, 2014, by correspondence with the custodian and others. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS California Municipal Fund at November 30, 2014, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts

January 15, 2015

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RESULTS OF SHAREHOLDER MEETING

(unaudited)

At the annual meeting of shareholders of MFS California Municipal Fund, which was held on October 2, 2014, the following actions were taken:

Item 1: To elect the following individuals as Trustees, elected by the holders of common and preferred shares together:

| Nominee | For | Number of Shares | Withheld Authority |
|------------------|---------------|------------------|--------------------|
| Steven E. Buller | 2,395,417.418 | | 121,944.000 |
| William R. Gutow | 2,394,608.418 | | 122,753.000 |
| Michael Hegarty | 2,394,036.418 | | 123,325.000 |
| Robert W. Uek | 2,394,608.418 | | 122,753.000 |

Item 2: To elect the following individuals as Trustees, elected by the holders of preferred shares only:

| Nominee | For | Number of Shares | Withheld Authority |
|-------------------|-----|------------------|--------------------|
| John P. Kavanaugh | 977 | | |
| Laurie J. Thomsen | 977 | | |

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The Trustees and Officers of the Trust, as of January 1, 2015, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and Officer is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

| Name, Age | Position(s) | | Term | Principal Occupations During the Past Five Years | Other |
|--|-------------------------------|--------------------------------------|------|--|--|
| | Held with Fund | Trustee/Officer Since ^(h) | | | |
| INTERESTED TRUSTEES | | | | | |
| Robert J. Manning ^(k) (age 51) | Trustee | February 2004 | 2016 | Massachusetts Financial Services Company, Chairman, Co-Chief Executive Officer and Director; President (until 2009); Chief Investment Officer (until 2010) | N/A |
| Robin A. Stelmach ^(k) (age 53) | Trustee and President | January 2014 | 2015 | Massachusetts Financial Services Company, Executive Vice President and Chief Operating Officer | N/A |
| INDEPENDENT TRUSTEES | | | | | |
| David H. Gunning (age 72) | Trustee and Chair of Trustees | January 2004 | 2015 | Private investor | Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman |

Table of Contents*Trustees and Officers continued*

| Name, Age | Position(s) | | Term | Principal Occupations During the Past Five Years | Other Directorships ⁽ⁱ⁾ |
|-------------------------------------|----------------|--------------------------------------|------|--|---|
| | Held with Fund | Trustee/Officer Since ^(h) | | | |
| Steven E. Buller (age 63) | Trustee | February 2014 | 2014 | Chairman, Financial Accounting Standards Advisory Council; Standing Advisory Group, Public Company Accounting Oversight Board, Member (until 2014); BlackRock, Inc. (investment management), Managing Director (until 2014), BlackRock Finco UK (investment management), Director (until 2014) | N/A |
| Robert E. Butler (age 73) | Trustee | January 2006 | 2015 | Consultant investment company industry regulatory and compliance matters | N/A |
| Maureen R. Goldfarb (age 59) | Trustee | January 2009 | 2016 | Private investor | N/A |
| William R. Gutow (age 73) | Trustee | December 1993 | 2014 | Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman | Texas Donuts (donut franchise), Vice Chairman (until 2010) |
| Michael Hegarty (age 70) | Trustee | December 2004 | 2014 | Private investor | Brookfield Office Properties, Inc. (real estate), Director; Rouse Properties Inc. (real estate), Director; Capmark Financial Group Inc. (real estate), Director |
| John P. Kavanaugh (age 60) | Trustee | January 2009 | 2014 | Private investor | N/A |

Table of Contents*Trustees and Officers continued*

| Name, Age | Position(s) | | Term | Principal Occupations During the Past Five Years | Other |
|--|---|--------------------------------------|------|--|---|
| | Held with Fund | Trustee/Officer Since ^(h) | | | |
| Maryanne L. Roepke (age 58) | Trustee | May 2014 | 2016 | American Century Investments (investment management), Senior Vice President and Chief Compliance Officer (until 2014) | N/A |
| Laurie J. Thomsen (age 57) | Trustee | March 2005 | 2014 | Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010) | The Travelers Companies (insurance), Director |
| Robert W. Uek (age 73) | Trustee | January 2006 | 2014 | Consultant to investment company industry | N/A |
| OFFICERS | | | | | |
| Christopher R. Bohane ^(k) (age 40) | Assistant Secretary and Assistant Clerk | July 2005 | N/A | Massachusetts Financial Services Company, Vice President and Assistant General Counsel | N/A |
| Kino Clark ^(k) (age 46) | Assistant Treasurer | January 2012 | N/A | Massachusetts Financial Services Company, | N/A |
| Thomas H. Connors ^(k) (age 55) | Assistant Secretary and Assistant Clerk | September 2012 | N/A | Vice President Massachusetts Financial Services Company, Vice President and Senior Counsel; Deutsche Investment Management Americas Inc. (financial service provider), Director and Senior Counsel (until 2012) | N/A |
| Ethan D. Corey ^(k) (age 51) | Assistant Secretary and Assistant Clerk | July 2005 | N/A | Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel | N/A |

Table of Contents*Trustees and Officers continued*

| Name, Age | Position(s) | | | Principal Occupations During the Past Five Years | Other Directorships ⁽ⁱ⁾ |
|--|---|--------------------------------------|---------------|---|------------------------------------|
| | Held with Fund | Trustee/Officer Since ^(h) | Term Expiring | | |
| David L. DiLorenzo ^(k) (age 46) | Treasurer | July 2005 | N/A | Massachusetts Financial Services Company, Senior Vice President | N/A |
| Timothy M. Fagan ^(k) (age 46) | Chief Compliance Officer | November 2014 | N/A | Massachusetts Financial Services Company, Chief Compliance Officer; Vice President and Senior Counsel (until 2012) | N/A |
| Brian E. Langenfeld ^(k) (age 41) | Assistant Secretary and Assistant Clerk | June 2006 | N/A | Massachusetts Financial Services Company, Vice President and Senior Counsel | N/A |
| Susan S. Newton ^(k) (age 64) | Assistant Secretary and Assistant Clerk | May 2005 | N/A | Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel | N/A |
| Susan A. Pereira ^(k) (age 44) | Assistant Secretary and Assistant Clerk | July 2005 | N/A | Massachusetts Financial Services Company, Vice President and Senior Counsel | N/A |
| Kasey L. Phillips ^(k) (age 44) | Assistant Treasurer | September 2012 | N/A | Massachusetts Financial Services Company, Vice President; Wells Fargo Funds Management, LLC, Senior Vice President, Fund Treasurer (until 2012) | N/A |
| Mark N. Polebaum ^(k) (age 62) | Secretary and Clerk | January 2006 | N/A | Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary | N/A |
| Matthew A. Stowe ^(k) (age 40) | Assistant Secretary and Assistant Clerk | October 2014 | N/A | Massachusetts Financial Services Company, Vice President and Senior Counsel | N/A |

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Trustees and Officers continued

| Name, Age | Position(s) | | Term | Principal Occupations During the Past Five Years | Other Directorships ⁽ⁱ⁾ |
|---|---|--------------------------------------|------|---|------------------------------------|
| | Held with Fund | Trustee/Officer Since ^(h) | | | |
| Frank L. Tarantino (age 70) | Independent Senior Officer | June 2004 | N/A | Tarantino LLC (provider of compliance services), Principal | N/A |
| Richard S. Weitzel ^(k) (age 44) | Assistant Secretary and Assistant Clerk | October 2007 | N/A | Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel | N/A |
| James O. Yost ^(k) (age 54) | Deputy Treasurer | September 1990 | N/A | Massachusetts Financial Services Company, Senior Vice President | N/A |

(h) Date first appointed to serve as Trustee/officer of an MFS Fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds. Ms. Stelmach was appointed as President of the Funds as of October 1, 2014.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., public companies).

(k) Interested person of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

The Trust holds annual shareholder meetings for the purpose of electing Trustees, and Trustees are elected for fixed terms. Two Trustees, each holding a term of one year, are elected annually by holders of the Trust's preferred shares. The remaining Trustees are currently divided into three classes, each having a term of three years which term expires on the date of the third annual meeting following the election to office of the Trustee's class. Each year the term of one class expires. Each Trustee and officer will serve until next elected or his or her earlier death, resignation, retirement or removal.

Messrs. Butler, Kavanaugh, Uek and Ms. Thomsen and Ms. Roepke are members of the Fund's Audit Committee.

Each of the Fund's Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2015, the Trustees served as board members of 135 funds within the MFS Family of Funds.

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Trustees and Officers continued

Investment Adviser

Massachusetts Financial Services Company
111 Huntington Avenue
Boston, MA 02199-7618

Portfolio Managers

Michael Dawson
Geoffrey Schechter

Custodian

State Street Bank and Trust Company
1 Lincoln Street
Boston, MA 02111-2900

Independent Registered Public Accounting Firm

Ernst & Young LLP
200 Clarendon Street
Boston, MA 02116

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BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested (independent) Trustees, voting separately, annually approve the continuation of the Fund s investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2014 (contract review meetings) for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the MFS Funds). The independent Trustees were assisted in their evaluation of the Fund s investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance (based on net asset value) of the Fund for various time periods ended December 31, 2013 and the investment performance (based on net asset value) of a group of funds with substantially similar investment classifications/objectives (the Lipper performance universe), (ii) information provided by Lipper Inc. on the Fund s advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the Lipper expense group), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee breakpoints are observed for the Fund, (v) information regarding MFS financial results and financial condition, including MFS and certain of its affiliates estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS institutional business, (vi) MFS views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The

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Board Review of Investment Advisory Agreement continued

comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

The Trustees' conclusion as to the continuation of the investment advisory agreement was based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the fee arrangements for the Fund and other MFS Funds are the result of years of review and discussion between the independent Trustees and MFS, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Based on information provided by Lipper Inc. and MFS, the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's common shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2013, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's common shares ranked 3rd out of a total of 26 funds in the Lipper performance universe for this three-year period (a ranking of first place out of the total number of funds in the performance universe indicating the best performer and a ranking of last place out of the total number of funds in the performance universe indicating the worst performer). The total return performance of the Fund's common shares ranked 17th out of a total of 26 funds for the one-year period and 8th out of a total of 26 funds for the five-year period ended December 31, 2013. Given the size of the Lipper performance universe and information previously provided by MFS regarding differences between the Fund and other funds in its Lipper performance universe, the Trustees also reviewed the Fund's performance in comparison to the Barclays Municipal Bond Index. The Fund under-performed the Barclays Municipal Bond Index for the one-year period ended December 31, 2013 (one-year: 6.4% total return for the Fund versus 2.6% total return for the benchmark) and out-performed the Barclays Municipal Bond Index for each of the three- and five-year periods ended December 31, 2013 (three-year: 11.2% total return for the Fund versus 4.8% total return for the benchmark; five-year: 11.9% total return for the Fund versus 5.9% total return for the benchmark). Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year regarding the Fund's performance. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS' responses and efforts relating to investment performance.

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Board Review of Investment Advisory Agreement continued

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's common shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that MFS currently observes an expense limitation for the Fund, which may not be changed without the Trustees' approval. The Trustees also considered that, according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate was approximately at the Lipper expense group median, and the Fund's total expense ratio was higher than the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to any comparable institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

The Trustees considered that, as a closed-end fund, the Fund is unlikely to experience meaningful asset growth. As a result, the Trustees did not view the potential for realization of economies of scale as the Fund's assets grow to be a material factor in their deliberations. The Trustees noted that they would consider economies of scale in the future in the event the Fund experiences significant asset growth, such as through a material increase in the market value of the Fund's portfolio securities.

The Trustees also considered information prepared by MFS relating to MFS' costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS' methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability.

After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative services provided to the Fund by MFS under agreements other than the investment advisory agreement. The Trustees also considered the nature, extent and quality of

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Board Review of Investment Advisory Agreement continued

certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS' interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2014.

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PROXY VOTING POLICIES AND INFORMATION

MFS votes proxies on behalf of the fund pursuant to proxy voting policies and procedures that are available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at <http://www.sec.gov>.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at <http://www.sec.gov>.

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. A shareholder can obtain the quarterly portfolio holdings report at *mfs.com*. The fund's Form N-Q is also available on the EDGAR database on the Commission's Internet Web site at <http://www.sec.gov>, and may be reviewed and copied at the:

Public Reference Room

Securities and Exchange Commission

100 F Street, NE, Room 1580

Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the Fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site (*mfs.com*). This information is available by visiting the Market Commentary and Announcements sub sections in the Market Outlooks section of *mfs.com* or by clicking on the fund's name under Closed-End Funds in the Products section of *mfs.com*.

FEDERAL TAX INFORMATION (unaudited)

The fund will notify shareholders of amounts for use in preparing 2014 income tax forms in January 2015. The following information is provided pursuant to provisions of the Internal Revenue Code.

Of the dividends paid from net investment income during the fiscal year, 99.96% is designated as exempt interest dividends for federal income tax purposes. If the fund has earned income on private activity bonds, a portion of the dividends paid may be considered a tax preference item for purposes of computing a shareholder's alternative minimum tax.

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FACTS

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and account balances
- Account transactions and transaction history
- Checking account information and wire transfer instructions

When you are *no longer* our customer, we continue to share your information as described in this notice.

How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

| Reasons we can share your personal information | Does MFS share? | Can you limit this sharing? |
|--|-----------------|-----------------------------|
| For our everyday business purposes such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus | Yes | No |
| For our marketing purposes to offer our products and services to you | No | We don't share |
| For joint marketing with other financial companies | No | We don't share |
| For our affiliates' everyday business purposes information about your transactions and experiences | No | We don't share |
| For our affiliates' everyday business purposes information about your creditworthiness | No | We don't share |

For nonaffiliates to market to you

No

We don't share

Questions?

Call **800-225-2606** or go to **mfs.com**.

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Who we are

Who is providing this notice?

MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.

What we do

How does MFS protect my personal information?

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.

How does MFS collect my personal information?

We collect your personal information, for example, when you

open an account or provide account information

direct us to buy securities or direct us to sell your securities

make a wire transfer

Why can't I limit all sharing?

We also collect your personal information from others, such as credit bureaus, affiliates and other companies.

Federal law gives you the right to limit only

sharing for affiliates everyday business purposes information about your creditworthiness

affiliates from using your information to market to you

sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates

Companies related by common ownership or control. They can be financial and nonfinancial companies.

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MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.

Nonaffiliates

Companies not related by common ownership or control. They can be financial and nonfinancial companies.

MFS does not share with nonaffiliates so they can market to you.

Joint Marketing

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

MFS doesn't jointly market.

Other important information

If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

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CONTACT US

TRANSFER AGENT, REGISTRAR, AND

DIVIDEND DISBURSING AGENT

CALL

1-800-637-2304

9 a.m. to 5 p.m. Eastern time

WRITE

Computershare Trust Company, N.A.

P.O. Box 43078

Providence, RI 02940-3078

NYSE MKT Symbol: CCA

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ITEM 2. CODE OF ETHICS.

The Registrant has adopted a Code of Ethics pursuant to Section 406 of the Sarbanes-Oxley Act and as defined in Form N-CSR that applies to the Registrant's principal executive officer and principal financial and accounting officer. During the period covered by this report, the Registrant has not amended any provision in its Code of Ethics (the "Code") that relates to an element of the Code's definitions enumerated in paragraph (b) of Item 2 of this Form N-CSR. During the period covered by this report, the Registrant did not grant a waiver, including an implicit waiver, from any provision of the Code.

A copy of the Code of Ethics is filed as an exhibit to this Form N-CSR.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Messrs. Robert E. Butler, John P. Kavanaugh and Robert W. Uek and Meses. Maryanne L. Roepke and Laurie J. Thomsen, members of the Audit Committee, have been determined by the Board of Trustees in their reasonable business judgment to meet the definition of "audit committee financial expert" as such term is defined in Form N-CSR. In addition, Messrs. Butler, Kavanaugh and Uek and Meses. Roepke and Thomsen are "independent" members of the Audit Committee (as such term has been defined by the Securities and Exchange Commission in regulations implementing Section 407 of the Sarbanes-Oxley Act of 2002). The Securities and Exchange Commission has stated that the designation of a person as an audit committee financial expert pursuant to this Item 3 on the Form N-CSR does not impose on such a person any duties, obligations or liability that are greater than the duties, obligations or liability imposed on such person as a member of the Audit Committee and the Board of Trustees in the absence of such designation or identification.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Items 4(a) through 4(d) and 4(g):

The Board of Trustees has appointed Ernst & Young LLP ("E&Y") to serve as independent accountants to the Registrant (hereinafter the "Registrant" or the "Fund"). The tables below set forth the audit fees billed to the Fund as well as fees for non-audit services provided to the Fund and/or to the Fund's investment adviser, Massachusetts Financial Services Company ("MFS"), and to various entities either controlling, controlled by, or under common control with MFS that provide ongoing services to the Fund ("MFS Related Entities").

For the fiscal years ended November 30, 2014 and 2013, audit fees billed to the Fund by E&Y were as follows:

| | Audit Fees | |
|--------------------------------|-------------------|-------------|
| | 2014 | 2013 |
| Fees billed by E&Y: | | |
| MFS California Municipal Fund | 55,730 | 55,079 |

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For the fiscal years ended November 30, 2014 and 2013, fees billed by E&Y for audit-related, tax and other services provided to the Fund and for audit-related, tax and other services provided to MFS and MFS Related Entities were as follows:

| | Audit-Related Fees ¹ | | Tax Fees ² | | All Other Fees ³ | |
|----------------------------------|---------------------------------|--------|-----------------------|-------|-----------------------------|------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Fees billed by E&Y: | | | | | | |
| To MFS California Municipal Fund | 10,843 | 10,714 | 9,787 | 9,670 | 0 | 0 |

| | Audit-Related Fees ¹ | | Tax Fees ² | | All Other Fees ³ | |
|--|---------------------------------|------|-----------------------|------|-----------------------------|------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Fees billed by E&Y: | | | | | | |
| To MFS and MFS Related Entities of MFS California Municipal Fund * | | | | | | |