

Edgar Filing: MUNIENHANCED FUND INC - Form N-Q

MUNIENHANCED FUND INC
 Form N-Q
 December 28, 2004

UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
 MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-5739

Name of Fund: MuniEnhanced Fund, Inc.

Fund Address: P.O. Box 9011
 Princeton, NJ 08543-9011

Name and address of agent for service: Terry K. Glenn, President, MuniEnhanced
 Fund, Inc., 800 Scudders Mill Road, Plainsboro, NJ 08536. Mailing
 address: P.O. Box 9011, Princeton, NJ 08543-9011

Registrant's telephone number, including area code: (609) 282-2800

Date of fiscal year end: 01/31/04

Date of reporting period: 08/01/04 - 10/31/04

Item 1 - Schedule of Investments

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2004 (in Thousands)

| State | S&P Ratings | Moody's Ratings | Face Amount | Municipal Bonds |
|--------------------|----------------|--------------------|----------------|--|
| Arkansas - 0.3% | NR* | Aaa | \$ 1,000 | University of Arkansas, University Construct (UAMS Campus), Series B, 5% due 11/01/2034 (|
| California - 27.2% | AAA | Aaa | 9,000 | Alameda Corridor Transportation Authority, C Appreciation Revenue Refunding Bonds, Subord 5.62%** due 10/01/2012(a) |
| | AAA | Aaa | 6,000 | Alameda Corridor Transportation Authority, C Refunding Bonds, Subordinated Lien, Series A due 10/01/2012(a) |
| | AAA | Aaa | 5,000 | Anaheim, California, Public Financing Author Bonds (Public Improvements Project), Senior- due 9/01/2024(d) California State Department of Water Resourc Revenue Bonds, Series A: |
| | BBB+ | A2 | 1,240 | 5.375% due 5/01/2022 |
| | AAA | Aaa | 1,800 | 5.375% due 5/01/2022(f) |
| | A | A3 | 3,000 | California State, GO, Refunding: 5.25% due 9/01/2026 |

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| | | | |
|-----|------|--------|--|
| AAA | Aaa | 6,000 | 5.25% due 2/01/2030(f) |
| A | A3 | 5,000 | 5.125% due 6/01/2031 |
| AAA | NR* | 2,200 | California State, GO, Refunding, ROLS, Series B: due 2/01/2033(h)(j) |
| A | A3 | 8,490 | California State, Various Purpose, GO, 5.50% Golden State Tobacco Securitization Corporation Tobacco Settlement Revenue Bonds, Series B: due 2/01/2033(h)(j) |
| A- | Baa1 | 3,805 | 5.60% due 6/01/2028 |
| AAA | Aaa | 2,200 | 5.50% due 6/01/2033(c) |
| AAA | Aaa | 1,400 | 5.625% due 6/01/2033(c) |
| AAA | Aaa | 5,000 | 5% due 6/01/2038(a) |
| AAA | Aaa | 6,800 | 5.625% due 6/01/2038(k) |
| AAA | Aaa | 10,000 | 5.50% due 6/01/2043(b) |
| AAA | Aaa | 2,835 | 5.50% due 6/01/2043(c) |

Portfolio Abbreviations

To simplify the listings of MuniEnhanced Fund, Inc.'s portfolio holdings in the Schedule of Investments, we have abbreviated the names of many of the securities according to the list below.

| | |
|---------|--|
| AMT | Alternative Minimum Tax (subject to) |
| COP | Certificates of Participation |
| DRIVERS | Derivative Inverse Tax-Exempt Receipts |
| EDA | Economic Development Authority |
| GO | General Obligation Bonds |
| HDA | Housing Development Authority |
| HFA | Housing Finance Agency |
| IDA | Industrial Development Authority |
| IDR | Industrial Development Revenue Bonds |
| RIB | Residual Interest Bonds |
| RITR | Residual Interest Trust Receipts |
| ROLS | Reset Option Longs |
| S/F | Single-Family |

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2004 (continued) (in Thousands)

| State | S&P Ratings | Moody's Ratings | Face Amount | Municipal Bonds |
|------------------------|-------------|-----------------|-------------|--|
| California (concluded) | AAA | Aaa | \$ 5,000 | Norco, California, Redevelopment Agency, Tax Bonds (Norco Redevelopment Project-Area Number 1), 5.25% due 3/01/2030(f) |
| | AAA | Aaa | 1,750 | Poway, California, Redevelopment Agency, Tax Bonds (Paguay Redevelopment Project), 5.125% due 6/01/2030 |
| | AAA | Aaa | 6,145 | Stockton, California, Public Financing Authority, Tax Bonds (Parking & Capital Projects), 5.125% due 6/01/2030 |
| Colorado - 10.3% | | | | Boulder County, Colorado, Hospital Development (Longmont United Hospital Project)(j): |
| | AA | Baa2 | 2,705 | 5.60% due 12/01/2015 |
| | AA | Baa2 | 2,135 | 5.75% due 12/01/2020 |
| | | | | Colorado HFA, Revenue Bonds, AMT: |

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| | | | | |
|------------------|-----|-----|--------|--|
| | NR* | Aa2 | 2,375 | DRIVERS, Series 251, 11.514% due 4/01/20 |
| | NR* | Aa2 | 235 | (S/F Program), Senior Series A-1, 7.40% |
| | NR* | Aa2 | 1,085 | Colorado HFA, Revenue Refunding Bonds (S/F P |
| | | | | Series A-2, 7.50% due 4/01/2031 |
| | AA | Aa2 | 1,200 | Colorado Health Facilities Authority Revenue |
| | AA | NR* | 1,200 | (Catholic Health Initiatives), 5.50% due |
| | AA | NR* | 675 | (Catholic Retirement Communities Inc.), |
| | AAA | Aaa | 4,280 | (Catholic Retirement Communities Inc.), |
| | | | | Colorado Water Resource Power Development Au |
| | AAA | Aaa | 2,000 | Revenue Bonds, Series A, 6.25% due 9/01/2016 |
| | | | | Denver, Colorado, City and County Airport Re |
| | AAA | Aaa | 5,450 | AMT, Series A, 6% due 11/15/2018(a) |
| | | | | El Paso County, Colorado, School District Nu |
| | | | | Series A, 6% due 12/01/2018(d) |
| | | | | Northwest Parkway, Colorado, Public Highway |
| | | | | Bonds: |
| | AAA | Aaa | 9,450 | Capital Appreciation Revenue Bonds, Seni |
| | | | | Series C, 5.33%** due 6/15/2011(d) |
| | AAA | Aaa | 1,900 | Series A, 5.50% due 6/15/2021(a) |
| ----- | | | | |
| Florida - 0.8% | NR* | Aaa | 2,500 | Escambia County, Florida, Health Facilities |
| | | | | Facility Revenue Bonds (Florida Health Care |
| | | | | due 7/01/2020(a) |
| ----- | | | | |
| Georgia - 9.8% | AAA | Aaa | 18,655 | Atlanta, Georgia, Airport General Revenue Re |
| | | | | Series B, 5.25% due 1/01/2033(d) |
| | AAA | Aaa | 3,500 | Fulton County, Georgia, Water and Sewer Reve |
| | | | | due 1/01/2035(b) |
| | AAA | Aaa | 7,725 | Georgia Municipal Electric Authority, Power |
| | | | | Bonds, Series EE, 7% due 1/01/2025(a) |
| ----- | | | | |
| Illinois - 20.8% | NR* | Aaa | 5,125 | Chicago, Illinois, Board of Education, GO, R |
| | | | | due 12/01/2027(a) (h) |
| | AAA | Aaa | 3,750 | Chicago, Illinois, Gas Supply Revenue Refund |
| | | | | Gas Light & Coke), Series A, 6.10% due 6/01/ |
| | | | | Chicago, Illinois, O'Hare International Airp |
| | | | | 3rd Lien, AMT, Series B-2: |
| | AAA | Aaa | 5,670 | 5.75% due 1/01/2023(d) |
| | AAA | Aaa | 2,500 | 6% due 1/01/2029(c) |

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2004 (continued) (in Thousands)

| State | S&P Ratings | Moody's Ratings | Face Amount | Municipal Bonds |
|----------------------|-------------|-----------------|-------------|--|
| ----- | | | | |
| Illinois (concluded) | AAA | NR* | \$ 4,550 | Chicago, Illinois, O'Hare International Airp |
| | | | | Bonds, DRIVERS, AMT, Series 250, 9.409% due |
| | AAA | Aaa | 3,000 | Cook County, Illinois, Capital Improvement, |
| | | | | due 11/15/2026(a) |
| | AAA | Aaa | 2,240 | Cook County, Illinois, Community College Dis |
| | | | | COP, Refunding, 8.75% due 1/01/2007(b) |
| | AAA | Aaa | 3,000 | Illinois Health Facilities Authority, Revenu |
| | | | | (Servantcor Project), Series A, 6.375% due 8 |
| | | | | Illinois Sports Facilities Authority, State |

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| | | | | Bonds (a): |
|----------------------|-----|-----|--------|---|
| | AAA | Aaa | 21,120 | 5.399%** due 6/15/2010 |
| | AAA | Aaa | 4,500 | 5% due 6/15/2032 |
| | AAA | Aaa | 3,000 | Metropolitan Pier and Exposition Authority, State Tax Revenue Refunding Bonds (McCormick Series B, 5.75% due 6/15/2023(f)) |
| | AAA | Aaa | 10,115 | Regional Transportation Authority, Illinois, Series A, 7.20% due 11/01/2020(a) |
| ----- | | | | |
| Indiana - 5.1% | AAA | Aaa | 2,500 | Brownsburg, Indiana, School Building Corporation Revenue Bonds (Brownsburg Community School), |
| | AAA | Aaa | 4,080 | Hammond, Indiana, Multi-School Building Corporation Mortgage Revenue Refunding Bonds, 6.125% due |
| | | | | Indiana Transportation Finance Authority, Highway Series A(b): |
| | AAA | Aaa | 4,250 | 5.25% due 6/01/2028 |
| | AAA | Aaa | 3,750 | 5.25% due 6/01/2029 |
| | AAA | Aaa | 1,500 | Indianapolis, Indiana, Local Public Improvement Bonds (Waterworks Project), Series A, 5.25% |
| ----- | | | | |
| Kansas - 1.1% | | | | Sedgwick and Shawnee Counties, Kansas, S/F Revenue (Mortgage-Backed Securities Program), AMT(e) |
| | NR* | Aaa | 1,050 | Series A-1, 6.875% due 12/01/2026 |
| | AAA | Aaa | 1,755 | Series A-1, 6.875% due 12/01/2026(f) |
| | NR* | Aaa | 765 | Series A-2, 7.60% due 12/01/2031 |
| ----- | | | | |
| Louisiana - 4.0% | AAA | Aaa | 6,000 | Louisiana Local Government, Environmental Fund Development Authority Revenue Bonds (Capital Equipment Acquisition), Series A, 6.30% due |
| | AAA | Aaa | 5,150 | New Orleans, Louisiana, Ernest N. Morial Exhibition Special Tax, Sub-Series A, 5.25% due 7/15/20 |
| | AAA | Aaa | 1,400 | Terrebonne Parish, Louisiana, Hospital Services Hospital Revenue Bonds (Terrebonne General Medical 5.50% due 4/01/2033(a)) |
| ----- | | | | |
| Massachusetts - 5.2% | AAA | NR* | 4,985 | Massachusetts State Port Authority, Special Bonds, DRIVERS, AMT, Series 501, 8.895% due |
| | | | | Massachusetts State Special Obligation Dedicated Bonds (b): |
| | AAA | Aaa | 1,800 | 5.25% due 1/01/2028 |
| | AAA | Aaa | 10,000 | 5.25% due 1/01/2029 |
| ----- | | | | |
| Michigan - 5.4% | AAA | Aaa | 6,200 | Detroit, Michigan, Water Supply System Revenue 5.25% due 7/01/2032(f) |
| | AAA | Aaa | 2,200 | Michigan Higher Education Student Loan Authority Revenue Refunding Bonds, AMT, Series XVII-G, |

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2004 (continued) (in Thousands)

| State | S&P Ratings | Moody's Ratings | Face Amount | Municipal Bonds |
|-------|-------------|-----------------|-------------|-----------------|
|-------|-------------|-----------------|-------------|-----------------|

Michigan (concluded) Michigan State Strategic Fund, Limited Obligation Refunding Bonds (Detroit Edison Company Project)

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| | | | | |
|----------------------|------|----------|----------|--|
| | AAA | Aaa | \$ 1,150 | 5.45% due 9/01/2029 |
| | AAA | Aaa | 1,300 | AMT, Series A, 5.50% due 6/01/2030 |
| | AAA | Aaa | 2,500 | AMT, Series C, 5.65% due 9/01/2029 |
| | AAA | Aaa | 4,300 | AMT, Series C, 5.45% due 12/15/2032 |
| Mississippi - 0.8% | AAA | Aaa | 2,400 | Walnut Grove, Mississippi, Correctional Authority, AMT, 5.45% due 11/01/2009(a) (g) |
| Nebraska - 0.5% | A+ | NR* | 1,700 | Washington County, Nebraska, Wastewater Facility Revenue Bonds (Cargill Inc. Project), AMT, 5.90% due 11/01/2030 |
| Nevada - 8.2% | AA | NR* | 3,100 | Carson City, Nevada, Hospital Revenue Bonds, Hospital Project, Series A, 5.50% due 9/01/2030 |
| | | | | Clark County, Nevada, Airport System Subordinated Revenue Bonds (b): |
| | AAA | Aaa | 1,500 | Series A-2, 5% due 7/01/2030 |
| | AAA | Aaa | 3,200 | Series A-2, 5% due 7/01/2036 |
| | AAA | Aaa | 2,000 | Series B, 5.25% due 7/01/2034 |
| | | | | Director of the State of Nevada, Department of Transportation, Industry Revenue Bonds (Las Vegas Monorail Construction), AMT, 5.45% due 12/15/2032 |
| | | | | Tier(a): |
| | AAA | Aaa | 750 | 5.625% due 1/01/2032 |
| | AAA | Aaa | 3,280 | 5.375% due 1/01/2040 |
| | AAA | Aaa | 10,450 | Washoe County, Nevada, Gas and Water Facility Revenue Bonds (Sierra Pacific Power Company), 6.30% due 12/15/2032 |
| | AAA | Aaa | 3,000 | Washoe County, Nevada, Water Facility Revenue Bonds (Sierra Pacific Power Company), AMT, 6.65% due 6/01/2034 |
| New Hampshire - 2.3% | AAA | Aaa | 7,390 | New Hampshire Health and Education Facilities Revenue Bonds (Dartmouth-Hitchcock Obligation Group), AMT, 5.45% due 12/15/2032 |
| New Jersey - 10.6% | | | | New Jersey EDA, Cigarette Tax Revenue Bonds: |
| | BBB | Baa2 | 3,250 | 5.50% due 6/15/2024 |
| | AAA | Aa2 | 2,000 | 5.50% due 6/15/2024 |
| | BBB | Baa2 | 700 | 5.50% due 6/15/2031 |
| | BBB | Baa2 | 1,165 | 5.75% due 6/15/2034 |
| | AAA | Aaa | 2,600 | New Jersey EDA, Motor Vehicle Surcharge Revenue Bonds, 5% due 7/01/2029 |
| | AAA | Aaa | 7,250 | 5.25% due 7/01/2031 |
| | AAA | Aaa | 5,200 | 5.25% due 7/01/2033 |
| | | | | New Jersey EDA, Revenue Bonds, ROLS (h): |
| | AAA | NR* | 5,000 | Series II-R-309-1, 9.136% due 6/15/2024 |
| | AAA | NR* | 2,500 | Series II-R-309-2, 9.136% due 6/15/2031 |
| | A-1+ | VMIG-1 + | 4,800 | New Jersey State Turnpike Authority, Turnpike Revenue Bonds, Series C-3, 1.75% due 1/01/2024 (d) (1) |

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2004 (continued)

(in Thousands)

| State | S&P Ratings | Moody's Ratings | Face Amount | Municipal Bonds |
|-----------------|-------------|-----------------|-------------|--|
| New York - 9.8% | AAA | NR* | \$ 1,500 | New York City, New York, GO, DRIVERS (h): Series 194, 9.461% due 2/01/2015 (d) |

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| | | | | |
|-----------------------|-----|-----|-------|---|
| | AAA | NR* | 6,960 | Series 356, 8.942% due 6/01/2011(c) New York City, New York, GO, Refunding: |
| | AAA | A2 | 3,890 | Series A, 6.375% due 5/15/2010(b) |
| | AAA | A2 | 2,745 | Series A, 6.375% due 5/15/2013(b) |
| | AAA | A2 | 1,620 | Series A, 6.375% due 5/15/2014(b) |
| | AAA | A2 | 1,675 | Series A, 6.375% due 5/15/2015(b) |
| | AAA | Aaa | 2,000 | Series L, 5.75% due 8/01/2013(c) |
| | AAA | Aaa | 3,290 | New York City, New York, GO, Series E, 5.75% |
| | AAA | Aaa | 5,400 | Tobacco Settlement Financing Corporation of Bonds, Series A-1, 5.25% due 6/01/2022(a) |
| Ohio - 0.8% | AAA | Aaa | 2,500 | North Canton, Ohio, City School District GO, due 12/01/2004(a) (g) |
| Pennsylvania - 5.9% | AAA | Aaa | 600 | Allegheny County, Pennsylvania, Sanitation A Revenue Bonds, 5.50% due 12/01/2030(f) |
| | AAA | Aaa | 5,500 | Pennsylvania State Public School Building Au Revenue Bonds (The School District of Philad due 6/01/2033(d) |
| | AAA | Aaa | 6,500 | Philadelphia, Pennsylvania, Authority for In Lease Revenue Bonds, Series B, 5.50% due 10/ Philadelphia, Pennsylvania, School District, due 8/01/2020(b) |
| | AAA | Aaa | 4,500 | Philadelphia, Pennsylvania, School District, due 8/01/2020(b) |
| | AAA | Aaa | 1,750 | Washington County, Pennsylvania, Capital Fun Bonds (Capital Projects and Equipment Progra due 12/01/2029(a) |
| Rhode Island - 2.6% | AAA | Aaa | 4,345 | Providence, Rhode Island, Public Building Au Revenue Bonds, Series A, 6.25% due 12/15/202 |
| | AAA | Aaa | 3,355 | Rhode Island State Economic Development Corp Revenue Bonds, Series B, 6.50% due 7/01/2015 |
| South Carolina - 0.8% | AA | Aa3 | 1,590 | South Carolina Educational Facilities Author Nonprofit Institutions Revenue Bonds (The Be 5.625% due 7/01/2031(j) |
| | NR* | Aaa | 890 | South Carolina Housing Finance and Developme Revenue Refunding Bonds, AMT, Series A-2, 5. |
| South Dakota - 2.3% | AAA | Aaa | 7,000 | South Dakota State Health and Educational Fa Revenue Refunding Bonds, Series A, 7.625% du |
| Tennessee - 0.7% | AAA | Aaa | 2,280 | Tennessee HDA, Revenue Refunding Bonds (Home AMT, Series 1, 5.95% due 7/01/2012(f) |
| Texas - 8.1% | AAA | Aaa | 1,615 | Bexar, Texas, Metropolitan Water District, W Revenue Refunding Bonds, 6.35% due 5/01/2025 Dallas-Fort Worth, Texas, International Airp DRIVERS, AMT(h) : |
| | AAA | NR* | 2,000 | Series 202, 9.911% due 11/01/2028(b) |
| | AAA | NR* | 7,250 | Series 353, 8.895% due 5/01/2011(f) |
| | AAA | Aaa | 900 | Houston, Texas, Airport System, Revenue Refu Series B, 5.50% due 7/01/2030(d) |

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2004 (continued)

(in Thousands)

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| State | S&P Ratings | Moody's Ratings | Face Amount | Municipal Bonds |
|-------------------|-------------|-----------------|-------------|---|
| Texas (concluded) | AAA | Aaa | \$ 6,250 | Texas State Turnpike Authority, Central Texas Revenue Bonds, First Tier, Series A, 5.50% due 11/15/2024(a) (h) |
| | AAA | Aaa | 5,200 | Travis County, Texas, Health Facilities Development Revenue Refunding Bonds, RITR, Series 4, 9.5% due 11/15/2024(a) (h) |
| | AAA | Aaa | 1,000 | University of Houston, Texas, University Revenue Refunding Bonds, Series 4, 9.5% due 2/15/2030(f) |
| Virginia - 4.0% | AAA | Aaa | 10,000 | Fairfax County, Virginia, EDA, Resource Recovery Bonds, AMT, Series A, 6.10% due 2/01/2010(a) |
| | AAA | Aaa | 2,300 | Halifax County, Virginia, IDA, Exempt Facilities Bonds (Old Dominion Electric Cooperative Production) due 6/01/2028(a) |
| Washington - 3.6% | AAA | Aaa | 2,150 | King County, Washington, Sewer Revenue Refunding Bonds, 5.50% due 1/01/2027(d) |
| | AAA | Aaa | 2,000 | Snohomish County, Washington, Public Utility Electric Revenue Refunding Bonds, 5.375% due 1/01/2027(d) |
| | AAA | Aaa | 7,000 | Washington State, GO, Series A and AT-6, 6.25% due 1/01/2027(d) |
| Wisconsin - 0.8% | AA- | Aa3 | 2,500 | Madison, Wisconsin IDR (Madison Gas & Electric Company) AMT, Series A, 5.875% due 10/01/2034 |
| | | | | Total Municipal Bonds (Cost - \$490,794) - 154.3% |

| Shares Held | Short-Term Securities |
|---|---|
| 8,701 | Merrill Lynch Institutional Tax-Exempt Fund (Merrill Lynch Institutional Tax-Exempt Fund) |
| Total Short-Term Securities (Cost - \$8,701) | |
| Total Investments (Cost - \$499,495++) - 154.3% | |
| Liabilities in Excess of Other Assets - 0.0% | |
| Preferred Stock, at Redemption Value - (54.3%) | |
| Net Assets Applicable to Common Stock - 100.0% | |

- (a) AMBAC Insured.
- (b) FGIC Insured.
- (c) XL Capital Insured.
- (d) FSA Insured.
- (e) GNMA Collateralized.
- (f) MBIA Insured.
- (g) Prerefunded.
- (h) The interest rate is subject to change periodically and inversely based upon prevailing market rates. The interest rate shown is the rate in effect at October 31, 2004.
- (i) Investments in companies considered to be an affiliate of the Fund (such companies are defined as "Affiliated Companies" in Section 2(a)(3) of the Investment Company Act of 1940) were as follows:

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| (in Thousands) | | |
|--|-----------------|--------------------|
| Affiliate | Net Activity | Dividend Income |
| Merrill Lynch Institutional Tax-Exempt Fund | 1,800 | \$ 47 |

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2004 (continued)

- (j) Radian Insured.
- (k) CIFG Insured.
- (l) The interest rate is subject to change periodically based upon prevailing market rates. The interest rate shown is the rate in effect at October 31, 2004.
- * Not Rated.
- ** Represents a step bond; the interest rate shown reflects the effective yield at the time of purchase by the Fund.
- + Highest short-term rating by Moody's Investors Services, Inc.
- ++ The cost and unrealized appreciation/depreciation of investments as of October 31, 2004, as computed for federal income tax purposes, were as follows:

| (in Thousands) | |
|-------------------------------|---------------------|
| Aggregate cost | \$ 499,495 ===== |
| Gross unrealized appreciation | \$ 32,948 |
| Gross unrealized depreciation | (742) |
| Net unrealized appreciation | \$ 32,206 ===== |

Forward interest rate swaps outstanding as of October 31, 2004 were:

| (in Thousands) | | |
|---|--------------------|----------------------------|
| | Notional Amount | Unrealized Depreciation |
| Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 4.156% interest | | |
| Broker, J.P. Morgan Chase Bank Expires December, 2024 | \$ 30,000 | \$ (642) |
| Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 3.599% interest | | |

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Broker, J.P. Morgan Chase Bank
Expires December, 2014

\$ 20,000

(254)

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2004 (concluded)

Forward interest rate swaps outstanding as of October 31, 2004 were (concluded):

| | (in Thousands) | |
|--|--------------------|----------------------------|
| | Notional Amount | Unrealized Depreciation |
| Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 4.073% interest | | |
| Broker, Morgan Stanley Capital Services, Inc. Expires March, 2025 | \$ 20,000 | \$ (35) |
| Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 3.523% interest | | |
| Broker, J.P. Morgan Chase Bank Expires January, 2015 | \$ 15,000 | (61) |
| Total | | \$ (992) ===== |

Item 2 - Controls and Procedures

2(a) - The registrant's certifying officers have reasonably designed such disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.

2(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d)) that occurred during the last fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3 - Exhibits

Certifications - Attached hereto

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Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MuniEnhanced Fund, Inc.

By: /s/ Terry K. Glenn

Terry K. Glenn,
President
MuniEnhanced Fund, Inc.

Date: December 20, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Terry K. Glenn

Terry K. Glenn
President
MuniEnhanced Fund, Inc.

Date: December 20, 2004

By: /s/ Donald C. Burke

Donald C. Burke
Chief Financial Officer
MuniEnhanced Fund, Inc.

Date: December 20, 2004