

Edgar Filing: MUNIENHANCED FUND INC - Form N-Q

MUNIENHANCED FUND INC  
 Form N-Q  
 December 22, 2005

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: Robert C. Doll, Jr., Chief Executive  
 Officer, 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: 01/31/06

Date of reporting period: 08/01/05 - 10/31/05

Item 1 - Schedule of Investments

MuniEnhanced Fund, Inc.  
 Schedule of Investments as of October 31, 2005 (in Thousands)

State	Face Amount	Municipal Bonds
Alabama - 0.9%	\$ 2,750	Jefferson County, Alabama, Limited Obligation School Warrants, S due 1/01/2022
California - 27.4%		Alameda Corridor Transportation Authority, California, Capital A Refunding Bonds, Subordinate Lien, Series A (a):
	6,000	5.495%** due 10/01/2012
	9,000	5.543%** due 10/01/2012
	5,000	Anaheim, California, Public Financing Authority, Lease Revenue B (Public Improvements Project), Senior-Series A, 6% due 9/01/2024
	1,395	California State Department of Water Resources, Power Supply Rev
	1,800	5.375% due 5/01/2022
	5,400	5.375% due 5/01/2022 (f)
		California State, GO, 5.125% due 2/01/2027
		California State, GO, Refunding:
	3,000	5.25% due 9/01/2026
	6,000	5.25% due 2/01/2030 (f)
	5,000	5.125% due 6/01/2031
	2,200	ROLS, Series II-R-272, 7.656% due 2/01/2033 (i) (j)

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8,490		California State, Various Purpose, GO, 5.50% due 11/01/2033 Golden State Tobacco Securitization Corporation of California, T Revenue Bonds, Series B (g):
3,000		5% due 6/01/2013 (a)
5,035		5.50% due 6/01/2013 (c)
1,400		5.625% due 6/01/2013 (c)
6,800		5.625% due 6/01/2013 (k)
3,500		Los Angeles, California, Unified School District, GO, Series A,
5,000		Norco, California, Redevelopment Agency, Tax Allocation Refundin Redevelopment Project - Area Number 1), 5.125% due 3/01/2030 (f)

### 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
RIB	Residual Interest Bonds
RITR	Residual Interest Trust Receipts
ROLS	Reset Option Long Securities
S/F	Single-Family

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2005

(in Thousands)

State	Face Amount	Municipal Bonds
<hr style="border-top: 1px dashed black;"/>		
	\$ 1,750	Poway, California, Redevelopment Agency, Tax Allocation Refundin Redevelopment Project), 5.125% due 6/15/2033 (a)
	1,000	San Diego, California, Community College District, GO (Election due 5/01/2030 (d)
	1,150	Santa Monica, California, Community College District, GO (Electi Refunding, Series C, 5% due 8/01/2029 (f)
	6,145	Stockton, California, Public Financing Authority, Lease Revenue Capital Projects), 5.125% due 9/01/2030 (b)
	1,600	Tamalpais, California, Union High School District, GO (Election due 8/01/2028 (d)
	1,200	University of California, Limited Project Revenue Bonds, Series (d)
<hr style="border-top: 1px dashed black;"/>		
Colorado - 8.3%	2,135	Boulder County, Colorado, Hospital Development Revenue Bonds (Lo Project), 5.75% due 12/01/2020 (i)
	140	Colorado HFA Revenue Bonds (S/F Program), AMT, Senior Series A-1
	855	Colorado HFA, Revenue Refunding Bonds (S/F Program), AMT, Senior due 4/01/2031
	1,200	Colorado Health Facilities Authority Revenue Bonds, Series A: (Catholic Health Initiatives), 5.50% due 3/01/2032 (h)

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	1,200	(Covenant Retirement Communities Inc.), 5.50% due 12/01/2027
	675	(Covenant Retirement Communities Inc.), 5.50% due 12/01/2033
	3,875	Colorado Water Resources and Power Development Authority, Clean Series A, 6.25% due 9/01/2010 (g)
	2,000	Denver, Colorado, City and County Airport Revenue Refunding Bonds due 11/15/2018 (a)
	5,450	El Paso County, Colorado, School District Number 49, Falcon, GO, due 12/01/2018 (d)
	7,900	Northwest Parkway, Colorado, Public Highway Authority, Capital A Bonds, Senior Convertible, Series C, 5.345%** due 6/15/2011 (d)
	1,900	Northwest Parkway, Colorado, Public Highway Authority Revenue Bo 5.50% due 6/15/2021 (a)
-----		
Florida - 1.3%	4,200	Orange County, Florida, Sales Tax Revenue Refunding Bonds, Serie due 1/01/2032 (b)
-----		
Georgia - 12.3%	18,655	Atlanta, Georgia, Airport General Revenue Refunding Bonds, Serie due 1/01/2033 (d)
	4,875	Atlanta, Georgia, Development Authority, Student Housing Revenue University), 5% due 9/01/2035 (c)
	2,610	Augusta, Georgia, Water and Sewer Revenue Bonds, 5.25% due 10/01
	3,500	Fulton County, Georgia, Water and Sewer Revenue Bonds, 5.25% due
	7,725	Georgia Municipal Electric Authority, Power Revenue Refunding Bo due 1/01/2025 (a)
-----		
Illinois - 19.7%	5,125	Chicago, Illinois, Board of Education, GO, RIB, Series 467, 8.54 (a) (j)
		Chicago, Illinois, O'Hare International Airport Revenue Bonds, 3 Series B-2:
	5,670	5.75% due 1/01/2023 (d)
	2,500	6% due 1/01/2029 (c)
	4,550	Chicago, Illinois, O'Hare International Airport, Revenue Refundi AMT, Series 250, 8.455% due 1/01/2021 (f) (j)
-----		
MuniEnhanced Fund, Inc.		
Schedule of Investments as of October 31, 2005 (in Thousands)		
State	Face Amount	Municipal Bonds
		-----
	\$ 3,000	Cook County, Illinois, Capital Improvement, GO, Series C, 5.50%
	2,240	Cook County, Illinois, Community College District Number 508, Ch 8.75% due 1/01/2007 (b)
	3,000	Illinois Health Facilities Authority, Revenue Refunding Bonds (S Series A, 6.375% due 8/15/2006 (d) (g)
		Illinois Sports Facilities Authority, State Tax Supported Revenue
	20,120	5.341%** due 6/15/2010
	4,500	5% due 6/15/2032
	3,000	Metropolitan Pier and Exposition Authority, Illinois, Dedicated Refunding Bonds (McCormick Place Expansion Project), Series B, 5
	10,115	Regional Transportation Authority, Illinois, Revenue Bonds, Seri due 11/01/2020 (a)
-----		
Indiana - 4.3%	4,080	Hammond, Indiana, Multi-School Building Corporation, First Mortg Bonds, 6.125% due 7/15/2019 (f)
		Indiana Transportation Finance Authority, Highway Revenue Bonds,

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	4,250	5.25% due 6/01/2028
	3,750	5.25% due 6/01/2029
	1,500	Indianapolis, Indiana, Local Public Improvement Bond Bank Revenue Project), Series A, 5.25% due 7/01/2012 (f) (g)
-----		
Louisiana - 4.3%	6,000	Louisiana Local Government, Environmental Facilities, Community Revenue Bonds (Capital Projects and Equipment Acquisition), Series A, 4.3% due 7/01/2030 (a)
	3,735	Louisiana State Transportation Authority, Senior Lien Toll Revenue Appreciation Bonds, Series B, 5.31%** due 12/01/2027 (a)
	5,150	New Orleans, Louisiana, Ernest N. Morial Exhibit Hall Authority, Sub-Series A, 5.25% due 7/15/2028 (a)
	1,400	Terrebonne Parish, Louisiana, Hospital Service District Number 1 Bonds (Terrebonne General Medical Center Project), 5.50% due 4/01/2028 (a)
-----		
Massachusetts - 12.3%		Massachusetts Bay Transportation Authority, Sales Tax Revenue Refunding Series A:
	1,500	5% due 7/01/2032
	1,625	5% due 7/01/2035
	2,500	Massachusetts State, Consolidated Loan, GO, Series C, 5% due 9/01/2028 (a)
	2,800	Massachusetts State, HFA, Housing Revenue Bonds, DRIVERS, AMT, Series A, 5.25% due 1/01/2011 (d) (j)
	4,985	Massachusetts State Port Authority, Special Facilities Revenue Bonds, Series 501, 7.947% due 7/01/2009 (a) (j)
	13,450	Massachusetts State School Building Authority, Dedicated Sales Tax Revenue Bonds, Series A, 5% due 8/15/2030 (d)
	11,800	Massachusetts State Special Obligation Dedicated Tax Revenue Bonds, Series A, 5.25% due 1/01/2014 (b) (g)
	650	Massachusetts State Water Resource Authority, General Revenue Refunding Series B, 5.125% due 8/01/2027 (f)
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MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2005

(in Thousands)

State	Face Amount	Municipal Bonds
-----		
Michigan - 6.1%	\$ 6,200	Detroit, Michigan, Water Supply System Revenue Bonds, Series B, (f)
	2,200	Michigan Higher Education Student Loan Authority, Student Loan Refunding Bonds, AMT, Series XVII-G, 5.20% due 9/01/2020 (a)
		Michigan State Strategic Fund, Limited Obligation Revenue Refunding Bonds (Edison Company Project), AMT (c):
	1,300	Series A, 5.50% due 6/01/2030
	2,500	Series C, 5.65% due 9/01/2029
	4,300	Series C, 5.45% due 12/15/2032
	3,090	Wayne County, Michigan, Airport Authority Revenue Bonds, DRIVERS, Series A, 7.459% due 6/01/2013 (f) (j)
-----		
Mississippi - 0.8%	2,400	Walnut Grove, Mississippi, Correctional Authority, COP, 6% due 1/01/2028 (a)
-----		
Nebraska - 0.5%	1,700	Washington County, Nebraska, Wastewater Facilities Revenue Bonds (Lincoln Project), AMT, 5.90% due 11/01/2027
-----		
Nevada - 6.5%	3,100	Carson City, Nevada, Hospital Revenue Bonds (Carson-Tahoe Hospital Project), Series A, 6.5% due 1/01/2028 (a)

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		Series A, 5.50% due 9/01/2033 (i)
		Clark County, Nevada, Airport System Subordinate Lien Revenue Bonds
	1,500	5% due 7/01/2030
	3,200	5% due 7/01/2036
	10,450	Washoe County, Nevada, Gas and Water Facilities, Revenue Refunding Bonds (Sierra Pacific Power Company), 6.30% due 12/01/2014 (a)
	3,000	Washoe County, Nevada, Water Facility Revenue Bonds (Sierra Pacific Power Company), 6.65% due 6/01/2017 (f)
-----		
New Hampshire - 2.4%	7,390	New Hampshire Health and Education Facilities Authority Revenue Bonds (Dartmouth-Hitchcock Obligation Group), 5.50% due 8/01/2027 (d)
-----		
New Jersey - 9.7%		New Jersey EDA, Cigarette Tax Revenue Bonds:
	700	5.50% due 6/15/2031
	1,165	5.75% due 6/15/2034
	2,600	New Jersey EDA, Motor Vehicle Surcharge Revenue Bonds, Series A
	7,250	5% due 7/01/2029
	5,200	5.25% due 7/01/2031
		5.25% due 7/01/2033
		New Jersey EDA, Revenue Bonds, ROLS (e) (j):
	7,625	Series II-R-309-1, 8.173% due 6/15/2024
	2,500	Series II-R-309-2, 8.173% due 6/15/2031
	3,100	New Jersey EDA, School Facilities Construction Revenue Bonds, Series A, 5.50% due 3/01/2028
-----		
New York - 7.6%	5,000	New York City, New York, City Municipal Water Finance Authority, System, Revenue Refunding Bonds, Series A, 5% due 6/15/2035 (f)
	6,960	New York City, New York, GO, DRIVERS, Series 356, 7.995% due 6/01/2022 (a)

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(in Thousands)

State	Face Amount	Municipal Bonds
		New York City, New York, GO, Refunding, Series A (b):
	\$ 2,000	6.375% due 5/15/2010 (g)
	440	6.375% due 5/15/2013
	435	6.375% due 5/15/2014
	550	6.375% due 5/15/2015
	7,650	Tobacco Settlement Financing Corporation of New York Revenue Bonds, Series A, 5.50% due 6/01/2022 (a)
-----		
Pennsylvania - 6.3%	8,750	Pennsylvania State Public School Building Authority, School Leasing (School District of Philadelphia Project), 5% due 6/01/2033 (d)
	6,500	Philadelphia, Pennsylvania, Authority for Industrial Development Bonds, Series B, 5.50% due 10/01/2020 (d)
	4,500	Philadelphia, Pennsylvania, School District, GO, Series B, 5.625% due 6/01/2022 (a)
-----		
Rhode Island - 2.6%	4,345	Providence, Rhode Island, Public Building Authority, General Revenue Bonds, Series A, 6.25% due 12/15/2020 (d)
	3,355	Rhode Island State Economic Development Corporation, Airport Revenue Bonds, Series B, 6.50% due 7/01/2010 (b) (g)
-----		
South Dakota - 2.2%	7,000	South Dakota State Health and Educational Facilities Authority, Revenue Bonds, Series A, 7.625% due 1/01/2008 (f) (g)

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Tennessee - 0.7%	2,280	Tennessee HDA, Revenue Refunding Bonds (Homeownership Program), due 7/01/2012 (f)
Texas - 10.3%	1,615	Bexar, Texas, Metropolitan Water District, Waterworks System Revenue Refunding Bonds, 6.35% due 5/01/2025 (f)
	2,000	Dallas-Fort Worth, Texas, International Airport Revenue Bonds, Series 202, 8.956% due 11/01/2028 (b)
	7,250	Series 353, 7.957% due 5/01/2011 (f)
	900	Houston, Texas, Airport System Revenue Refunding Bonds, Sub-Lien due 7/01/2030 (d)
	9,345	Leander, Texas, Independent School District, Capital Appreciation Bonds (School Building), 5.84%** due 8/15/2029 (b)
	5,820	North Harris County, Texas, Regional Water Authority, Senior Lien Revenue Refunding Bonds, 5.125% due 12/15/2035 (f)
	6,250	Texas State Turnpike Authority, Central Texas Turnpike System Revenue Refunding Bonds, Series A, 5.50% due 8/15/2039 (a)
	5,200	Travis County, Texas, Health Facilities Development Corporation, Revenue Refunding Bonds, RITR, Series 4, 8.66% due 11/15/2024 (a)(j)
Virginia - 4.0%	10,000	Fairfax County, Virginia, EDA, Resource Recovery Revenue Refunding Bonds, Series A, 6.10% due 2/01/2010 (a)
	2,300	Halifax County, Virginia, IDA, Exempt Facility, Revenue Refunding Bonds (Electric Cooperative Project), AMT, 5.625% due 6/01/2028 (a)

MuniEnhanced Fund, Inc.

Schedule of Investments as of October 31, 2005

(in Thousands)

State	Face Amount	Municipal Bonds
Washington - 2.4%	\$ 2,150	King County, Washington, Sewer Revenue Refunding Bonds, Series B (d)
	3,600	Seattle, Washington, Municipal Light and Power Revenue Refunding Bonds, 5.50% due 11/01/2028 (d)
	2,000	Snohomish County, Washington, Public Utility District Number 001 Revenue Refunding Bonds, 5.375% due 12/01/2009 (d)(g)
		Total Municipal Bonds (Cost - \$490,631) - 152.9%
	Shares Held	Short-Term Securities
	1,600	Merrill Lynch Institutional Tax-Exempt Fund (1)
		Total Short-Term Securities (Cost - \$1,600) - 0.5%
		Total Investments (Cost - \$492,231*) - 153.4%
		Other Assets Less Liabilities - 2.3%
		Preferred Stock, at Redemption Value - (55.7%)

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Net Assets Applicable to Common Stock - 100.0%

\* The cost and unrealized appreciation (depreciation) of investments as of October 31, 2005, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$ 492,231
	=====
Gross unrealized appreciation	\$ 24,388
Gross unrealized depreciation	(1,301)
	-----
Net unrealized appreciation	\$ 23,087
	=====

\*\* Represents a zero coupon or a step bond; the interest rate shown is the effective yield at the time of purchase.

- (a) AMBAC Insured.
- (b) FGIC Insured.
- (c) XL Capital Insured.
- (d) FSA Insured.
- (e) AGC Insured.
- (f) MBIA Insured.
- (g) Prerefunded.
- (h) Escrowed to maturity.
- (i) Radian Insured.
- (j) The rate disclosed is that currently in effect. This rate changes periodically and inversely based upon prevailing market rates.
- (k) CIFG Insured.

MuniEnhanced Fund, Inc.  
 Schedule of Investments as of October 31, 2005 (in Thousands)

(1) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

	Net Activity	Dividend Income
-----		
Affiliate		
-----		
Merrill Lynch Institutional Tax-Exempt Fund	1,600	\$ 55
-----		

Forward interest rate swaps outstanding as of October 31, 2005 were as follows:

	Notional Amount	Unrealized Appreciation
-----		
Pay a fixed rate of 3.801% and receive a floating rate based on 1-week Bond Market Association Rate		
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Broker, JPMorgan Chase Bank		
Expires November 2015	\$ 35,000	\$ 180
Pay a fixed rate of 3.80% and receive a floating rate based on 1-week Bond Market Association Rate		
Broker, JPMorgan Chase Bank		
Expires January 2016	\$ 20,000	140
-----		
Total		\$ 320
		=====

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

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/ Robert C. Doll, Jr.  
 -----  
 Robert C. Doll, Jr.  
 Chief Executive Officer  
 MuniEnhanced Fund, Inc.

Date: December 17, 2005

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/ Robert C. Doll, Jr.  
 -----  
 Robert C. Doll, Jr.  
 Chief Executive Officer

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MuniEnhanced Fund, Inc.

Date: December 17, 2005

By: /s/ Donald C. Burke

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

Date: December 17, 2005