FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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MuniEnhanced
Fund, Inc.

FUND LOGO

Semi-Annual Report   July 31, 1994

This report, including the financial information herein, is transmitted to the shareholders of MuniEnhanced Fund, Inc. for their information. It is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in the report. Past performance results shown in this report should not be considered a representation of future performance. The Fund has leveraged its Common Stock by issuing Preferred Stock to provide the Common Stock shareholders with a potentially higher rate of return. Leverage creates risks for Common Stock shareholders, including the likelihood of greater volatility of net asset value and market price of shares of the Common Stock, and the risk that fluctuations in the short-term dividend rates of the Preferred Stock may affect the yield to Common Stock shareholders.

MuniEnhanced Fund, Inc.
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MuniEnhanced Fund, Inc.

The Benefits and
Risks of
Leveraging

MuniEnhanced Fund, Inc. utilizes leveraging to seek to enhance the yield and net asset value of its Common Stock. However, these objectives cannot be achieved in all interest rate environments. To leverage, the Fund issues Preferred Stock, which pays dividends at prevailing short-term interest rates, and invests the proceeds in long-term municipal bonds. The interest earned on these investments is paid to Common Stock shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share net asset value of the Fund's Common Stock. However, in order to benefit Common Stock shareholders, the yield curve must be positively sloped; that is, short-term interest rates must be lower than long-term interest rates. At the same time, a period of generally declining interest rates will benefit Common Stock shareholders. If either of these conditions change, then the risks of leveraging will begin to outweigh the benefits.

To illustrate these concepts, assume a fund's Common Stock capitalization of $100 million and the issuance of Preferred Stock for an additional $50 million, creating a total value of $150 million available for investment in long-term municipal bonds. If prevailing short-term interest rates are approximately 3% and long-term interest rates are approximately 6%, the yield curve has a strongly positive slope. The fund pays dividends on the $50 million of Preferred Stock based on the lower short-term interest rates. At the same time, the fund's total portfolio of $150 million earns the income based on long-term interest rates.

In this case, the dividends paid to Preferred Stock shareholders are significantly lower than the income earned on the fund's long-term investments, and therefore the Common Stock shareholders are the beneficiaries of the incremental yield. However, if short-term interest rates rise, narrowing the differential between short-term and long-term interest rates, the incremental yield pick-up on the Common Stock will be reduced. At the same time, the market value on the fund's Common Stock (that is, its price as listed on the New York Stock Exchange), may, as a result, decline. Furthermore, if long-term interest rates rise, the Common Stock's net asset value will reflect the full decline in the price of the portfolio's investments, since the value of the fund's Preferred Stock does not fluctuate. In addition to the decline in net asset value, the market value of the fund's Common Stock may also decline.

TO OUR SHAREHOLDERS

For the six-month period ended July 31, 1994, the Common Stock of MuniEnhanced Fund, Inc. earned $0.395 per share income dividends, representing a net annualized yield of 6.78%, based on a month-end per share net asset value of $11.76. Over the same period, total investment return on the Fund's Common Stock was -6.18%, based on a change in per share net asset value from $12.99 to $11.76, and assuming reinvestment of $0.398 per share income dividends.

For the six-month period ended July 31, 1994, the Fund's Preferred Stock had an average dividend yield as follows: Series A, 2.61%; Series B, 2.67%; and Series C, 2.59%.

The Environment
The expectation of increasing inflationary pressures and higher interest rates initially heightened investor concerns and increased financial market volatility during the July quarter. However, as the quarter progressed, it was the weakness of the US dollar in foreign exchange markets that dominated the financial news and prolonged stock and bond market declines. Although the US dollar had strengthened slightly by July quarter-end, which may have improved investor confidence in the stock and bond markets, the possibility of continued tightening by the Federal Reserve Board resurfaced following Chairman Alan Greenspan's recent congressional testimony. Nevertheless, as the quarter drew to a close, a lower-than-expected rate of growth reported for the US economy during the second calendar quarter allayed investor concerns and led to stock and bond market rallies.

During the July quarter, the US dollar's weakness relative to other major currencies reflected the deteriorating US trade deficit and widening net long-term capital outflows. In 1993, an expanding US economy and recession in other industrial countries led to a higher level of imports and weaker export growth, widening the US trade deficit further. In addition, global investors favored non-US dollar denominated assets throughout 1993, which has further depressed the dollar's value. This trend is not improving significantly thus far in 1994 since foreign inflows into US capital markets continue to decline, although US investors are investing outside of the United States to a lesser degree.

Over the longer term, if the economies of United States' major trading partners expand (improving the prospects for US export growth), the outlook for the US dollar is likely to improve. In the near term, central banks have attempted to reverse the dollar's decline through currency market intervention. These efforts have met with limited success thus far, giving rise to the concern that the Federal Reserve Board will be forced to continue to raise short-term interest rates to attract investment capital back to the United States and bolster the dollar's value. However, further interest rate increases may jeopardize the US economic expansion. Despite evidence of a moderating trend in the US economy, Federal Reserve Board Chairman Alan Greenspan indicated in his July Humphrey-Hawkins testimony that the central bank would prefer to err on the side of too much monetary tightening rather than too little. In the weeks ahead, investors will continue to assess economic data and inflationary trends as they focus on the US dollar in order to gauge whether further increases in short-term interest rates are imminent. Continued indications of moderate and sustainable levels of economic growth would be positive for the US capital markets.

The Municipal Market
The municipal bond market's performance over the last six months has largely been dominated by reactions to repeated interest rate increases by the Federal Reserve Board. After the initial move by the Federal Reserve Board in February, municipal bond yields quickly rose in anticipation of additional tightenings. By early March, long-term tax-exempt bond yields, as measured by the Bond Buyer Revenue Bond Index, had risen over 50 basis points (0.50%) to 6.07%. Further Federal Reserve Board moves and a strengthening economy combined to push tax-exempt yields to a yearly high of 6.60% by mid-May. As evidence of a weakening economy accumulated, yields declined somewhat for the remainder of the period with the Reserve Bond Index falling to approximately 6.45% at the end of July. Long-term US Treasury bonds ended the July reporting period yielding approximately 7.40%, rising over 120 basis points in the last six months.

The tax-exempt bond market has continued to be very volatile with yields fluctuating by as much as 15 basis points from week to week. This continued volatility is mainly a reflection of the same lack of conviction regarding the near-term direction of interest rates which has prevailed for much of 1994. Over the past six months, the municipal bond market had been unable to maintain a consensus regarding either the potential strength of the current economic recovery or the resultant response by the Federal Reserve Board. However, a number of economic indicators released in late July began to suggest that the robust pace of recent economic growth was slowing. This promoted a more positive market environment toward the end of July.

The municipal bond market's technical position has remained supportive. Approximately $85 billion in long-term securities were issued during the six months ended July 31, 1994. This represents a decline of over 44% versus the July period from a year ago. As discussed in earlier reports, this reduction in new-issue supply has minimized the selling pressure by larger institutional investors who fear being unable to purchase sizable amounts of securities in the future. Such a significant decline in issuance would normally be expected to trigger a decline in yields as investors chase a commodity in scarce supply. Investor demand, however, has also diminished somewhat in recent months as net flows into long-term municipal bond funds have dramatically slowed or, in some instances, reversed. Consequently, the supply/demand relationship within the municipal bond market has remained in balance, promoting the overall stability in yield levels seen in the past months.

With after-tax equivalents in excess of 10%, long-term tax-exempt bonds continue to represent considerable value relative to other investment alternatives. We continue to anticipate municipal bond yields will decline further in late 1994 and into 1995. The economic impact of the significant interest rate increases experienced since early February have yet to be totally realized. The resultant drag on the economy should provide the foundation for further interest rate declines. Under such a scenario, current tax-exempt bond yields may prove to represent considerable value.

Portfolio Strategy

During the six months ended July 31, 1994, the Fund's structure and strategy basically were unchanged. We believe long-term interest rates are likely to remain at present levels for the near term and continue to be subject to spurts of market volatility because of conflicting indications of economic strength. Our focus is on relative value in the municipal bond market. Within this context the Fund engaged in the sale of prerefunded bonds with approaching call dates and particular issues we regarded to be fully valued in relation to the market as a whole. Emphasis was put on the purchase of high-quality, current coupon, income-oriented issues in specific high tax states because they offered the best overall value in the insured sector of the municipal market. The Fund's cash reserves have been kept at a minimum to take advantage of the steep yield spread between short-term and long-term interest rates, which continue to generate positive benefits to Common Stock shareholders because of the leveraging of Preferred Stock. However, if the yield curve were to flatten, the benefits of leverage would decline and reduce the overall performance of the Fund. (See page 1 of this report to shareholders for a complete explanation of the risks and benefits of leveraging.)

In Conclusion

We appreciate your ongoing interest in MuniEnhanced Fund, Inc., and we look forward to assisting you with your financial needs in the months and years ahead.

Sincerely,

(Arthur Zeikel)
Arthur Zeikel
President

(Vincent R. Giordano)
Vincent R. Giordano
Vice President and Portfolio Manager

August 25, 1994

PER SHARE INFORMATION

<TABLE>

Per Share Selected Quarterly Financial Data*

<CAPTION>

For the Quarter	Net Investment Income	Realized Gains (Losses)	Unrealized Gains (Losses)	Dividends/Distributions Net Investment Income Common	Preferred	Capital Gains
<S>	<C>	<C>	<C>	<C>	<C>	<C>
August 1, 1992 to October 31, 1992	$.26	$ .23	$(1.02)	$.23	$.03	--
November 1, 1992 to January 31, 1993	.26	.02	.58	.22	.04	$.35
February 1, 1993 to April 30, 1993	.26	.12	.33	.21	.03	--
May 1, 1993 to July 31, 1993	.25	.19	.05	.21	.03	--
August 1, 1993 to October 31, 1993	.25	.11	.31	.22	.03	--
November 1,1993 to January 31,1994	.25	.07	.01	.21	.03	.43
February 1, 1994 to April 30, 1994	.23	.12	(1.47)	.20	.03	--
May 1, 1994 to July 31, 1994	.24	(.13)	.25	.20	.04	--

<CAPTION>

For the Quarter	Net Asset Value High	Low	Market Price** High	Low	Volume***
<S>	<C>	<C>	<C>	<C>	<C>
August 1, 1992 to October 31, 1992	$12.79	$11.98	$13.875	$12.00	2,669
November 1, 1992 to January 31, 1993	12.58	12.05	13.50	12.375	1,811
February 1, 1993 to April 30, 1993	13.04	12.29	13.625	12.75	1,497
May 1, 1993 to July 31, 1993	13.09	12.68	13.125	12.375	1,806
August 1, 1993 to October 31, 1993	13.56	12.92	13.625	12.75	1,760
November 1, 1993 to January 31, 1994	13.33	12.74	13.375	12.375	2,084
February 1, 1994 to April 30, 1994	12.96	11.26	13.125	10.75	2,600
May 1, 1994 to July 31, 1994	12.05	11.32	11.125	10.50	2,603

<FN>

*Calculations are based upon shares of Common Stock outstanding at the end of each quarter.

**As reported in the consolidated transaction reporting system.

***In thousands.

</TABLE>

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 at right.

AMT	Alternative Minimum Tax (subject to)
COP	Certificates of Participation
GO	General Obligation Bonds
HFA	Housing Finance Authority
IDR	Industrial Development Revenue Bonds
IRS	Interest Residual Securities
M/F	Multi-Family
PCR	Pollution Control Revenue Bonds
RAN	Revenue Anticipation Notes
S/F	Single-Family
TRAN	Tax Revenue Anticipation Notes
UT	Unlimited Tax
VRDN	Variable Rate Demand Notes

<TABLE>

SCHEDULE OF INVESTMENTS (in Thousands)

<CAPTION>

	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<S>	<S>	<C>	<S>	<C>
Alabama--2.0%	AA	Aa	$10,000	Birmingham, Alabama, Waterworks and Sewer Board, Water and Sewer Revenue Refunding Bonds, Series A, 6% due 1/01/2020	$ 9,884
Alaska--0.6%	A+	Aa1	3,000	Alaska State Housing Finance Corporation, Revenue Refunding Bonds (Insured Mortgage Program), First Series, 7.75% due 12/01/2014	3,109
Arkansas--0.9%	AAA	Aaa	4,100	Fort Smith, Arkansas, Water and Sewer Construction, Revenue Refunding Bonds, 6% due 10/01/2012(c)	4,148
California--18.8%	AA	Aa	2,500	California State Department of Water Resources, Revenue Refunding Bonds (Central Valley Project), Series L, 5.70% due 12/01/2016	2,353
				California State Public Works Board, Lease Revenue Bonds (Various University of California Projects), Series A:	
	AAA	Aaa	2,000	6.40% due 12/01/2016 (d)	2,038
	A-	A	8,000	Refunding, 5.50% due 6/01/2021	6,917
	AAA	Aaa	2,500	California State, RAN, Series C, 5.75% due 4/25/1996 (b)	2,542

	AAA	Aaa	5,000	Central Coast Water Authority, California, Revenue Bonds (State Water Project Regional Facilities), 6.60% due 10/01/2022 (d)	5,177
	AAA	Aaa	4,450	Compton, California, Community Redevelopment Agency, Tax Allocation Refunding Bonds (Walnut Industrial Park), Series A, 7.50% due 8/01/2013 (d)	4,975
	AAA	Aaa	4,000	East Bay, California, Municipal Utilities District, Wastewater Treatment System Revenue Bonds, 6.375% due 6/01/2021 (d)	4,066
	AAA	Aaa	2,000	Irvine, California, Unified School District, Special Tax Community Facilities Bonds (District No. 86-1), Series A, 8.10% due 11/15/2013 (c)	2,272
	AA	Aa	2,000	Los Angeles, California, Department of Water and Power, Electric Plant Revenue Bonds, 5.30% due 2/15/2021	1,746
				Los Angeles, California, Wastewater System Revenue Bonds:	
	AAA	Aaa	3,000	Refunding, Series D, 4.70% due 11/01/2017 (b)	2,418
	AAA	Aaa	5,000	Refunding, Series D, 5.20% due 11/01/2021 (b)	4,311
	AAA	Aaa	6,950	Series B, 6% due 6/01/2022 (d)	6,848
				Los Angeles County, California, Metropolitan Transportation Authority, Sales Tax Revenue Bonds:	
	AAA	Aaa	5,935	Proposition C, Series B, 4.75% due 7/01/2018 (d)	4,806
	AAA	Aaa	2,875	Refunding Proposition A, Series A, 5.625% due 7/01/2018 (c)	2,670
	AAA	Aaa	8,235	Los Angeles County, California, Transportation Commission, Sales Tax Revenue Refunding Bonds, Series B, 6.50% due 7/01/2015 (b)	8,464
	AAA	Aaa	1,500	M-S-R Public Power Agency, California, Revenue Bonds (San Juan Project), Series E, 6.50% due 7/01/2017 (c)	1,538
	AA	Aa	5,000	Metropolitan Water District, Southern California, Waterworks Revenue Bonds, 5.50% due 7/01/2019	4,558
	AAA	Aaa	1,500	Northern California Transmission Revenue Bonds (California-Oregon Transmission Project), Series A, 6.50% due 5/01/2016 (c)	1,552
	SP1+	NR	4,000	San Diego, California, Area Local Government, COP, TRAN, 4.50% due 6/30/1995	4,013
	AAA	Aaa	2,985	San Francisco, California, City and County, GO (Various Purpose Projects), UT, Series A, 10% due 12/15/2000 (c)	3,778
	SP1+	MIG1++	9,000	Santa Clara County, California, TRAN, UT, 4.25% due 7/07/1995	8,966
	AAA	Aaa	2,000	Southern California Public Power Authority, Transmission Project Revenue Refunding Bonds, Sub-Series A, 4.875% due 7/01/2020 (c)	1,638
	NR	Aa	5,000	University of California, COP, Refunding (UCLA Center Chiller/Cogen Project), 5.60% due 11/01/2020	4,523

</TABLE>

<TABLE>
SCHEDULE OF INVESTMENTS (continued) (in Thousands)
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	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<S>	<S>	<C>	<S>	<C>
Colorado--0.5%	A-1	Aa3	$ 1,100	Colorado, HFA, M/F Housing Revenue Bonds (Central Park, Coven & Greenwood), VRDN, 2.85% due 5/01/1997 (a)	$ 1,100
	A-1	NR	1,100	Pitkin County, Colorado, IDR, Refunding (Aspen Skiing Co. Project), VRDN, Series A, 2.85% due 4/01/2016 (a)	1,100
Connecticut--0.7%	A-1	VMIG1	1,100	Connecticut State, Economic Recreation Notes, VRDN, Series B, 2.85% due 6/01/1996 (a)	1,100
	AA	Aa	2,400	Connecticut State HFA, Housing Mortgage Finance Program, Sub-Series B-1, 6.50% due 5/15/2018	2,437
District of Columbia--0.6%	AAA	Aaa	3,000	District of Columbia, UT, Series B, 6.10% due 6/01/2011 (c)	3,010
Florida--1.5%	AA	Aa	1,500	Florida, HFA, S/F Mortgage, Refunding, Series B, 6.55% due 7/01/2017	1,506
	AAA	Aaa	4,000	Florida State Municipal Power Agency Revenue Bonds (Power Supply Project), 5.10% due 10/01/2025 (d)	3,401
	AAA	Aaa	2,000	Florida State Turnpike Authority, Revenue Bonds, Series A, 9.50% due 7/01/2000 (d)	2,457
Georgia--2.2%	A	A2	1,775	Burke County, Georgia, Development Authority, PCR (Georgia Power Company Plant--Vogtle Project), AMT, 9.375% due 12/01/2017	2,023
	AAA	Aaa	7,725	Georgia Municipal Electric Authority, Power Revenue Bonds, Series EE, 7% due 1/01/2025 (d)	8,811
Hawaii--3.9%	AAA	Aaa	11,250	Hawaii State Airport System Revenue Bonds, AMT, Second Series, 7.50% due 7/01/2020 (b)	12,268
	AAA	Aaa	6,070	Hawaii State Department of Budget and Finance, Special Purpose Mortgage Revenue Bonds (Hawaiian Electric Company), AMT, Series C, 7.375% due 12/01/2020 (c)	6,655
Idaho--0.6%	AAA	Aaa	1,000	Idaho Health Facilities Authority, Health Care Corporation Revenue Bonds (Saint Joseph Regional Medical Center), 5.25% due 7/01/2016 (c)	886
	NR	Aa	2,000	Idaho Housing Agency Refunding Bonds, S/F Mortgage, Series B, 5.70% due 7/01/2013	1,845

Illinois--8.2%	AAA	Aaa	4,500	Chicago, Illinois, Wastewater Transmission Revenue Bonds, 6.375% due 1/01/2024 (c)	4,521
	AAA	Aaa	2,240	Cook County, Illinois, Chicago Community College District No. 508, COP, UT, 8.75% due 1/01/2007 (b)	2,842
	AAA	Aaa	3,025	Cook County, Illinois, Community Consolidated School District No. 54 Revenue Bonds (Schaumburg Township), UT, Series A, 6.50% due 1/01/2010 (b)	3,140
				Cook County, Illinois, GO, UT, Series A (c):	
	AAA	Aaa	2,000	6.50% due 11/15/2010	2,082
	AAA	Aaa	5,000	6.50% due 11/15/2012	5,185
				Illinois Health Facilities Authority Revenue Bonds:	
	AAA	Aaa	1,000	(Ingalls Health System Project), Series A, 6.25% due 5/15/2024	987
	AA	Aa	5,000	Refunding (Northwestern Memorial Hospital), Series A, 6% due 8/15/2024	4,741
	AAA	Aaa	3,500	Illinois Health Facilities Authority Revenue Bonds (Servantcor Project), Series A, 6.375% due 8/15/2021	3,462
	AAA	Aaa	3,025	Northwest Suburban Municipal Joint Action Water Agency, Illinois, Water Supply System, Revenue Refunding Bonds, Series A, 5.90% due 5/01/2015 (c)	2,906
	AAA	Aaa	9,115	Regional Transportation Authority, Illinois, GO, Series A, 7.20% due 11/01/2020 (d)	10,457
Indiana--1.3%	NR	Aaa	2,990	Indiana State HFA, S/F Mortgage Revenue Bonds (Home Mortgage Program), AMT Series B-2, 7.80% due 1/01/2022 (g)	3,141
	AAA	Aaa	3,000	Indianapolis, Indiana, Airport Authority Revenue Bonds, AMT, 8.40% due 7/01/2008 (c)	3,378
Iowa--2.8%	NR	Aaa	3,700	Iowa Finance Authority, S/F Mortgage Revenue Bonds, AMT, Series A, 7.90% due 11/01/2022 (g)	3,846
				Iowa Finance Authority, Solid Waste Disposal Revenue Bonds (Cedar River Paper Company Project), VRDN, Series A (a):	
	A-1+	NR	2,500	2.90% due 7/01/2023	2,500
	A-1+	NR	7,400	2.90% due 6/01/2024	7,400
Kansas--1.2%	AAA	Aaa	3,000	Burlington, Kansas, PCR, Refunding (Kansas Gas and Electric Company Project), 7% due 6/01/2031 (c)	3,234
	AAA	Aaa	2,500	Wamego, Kansas, PCR, Refunding (Kansas Gas and Electric Company Project), 7% due 6/01/2031 (c)	2,689
Kentucky--1.0%	AAA	Aaa	5,000	Kenton County, Kentucky, Airport Board, Airport Revenue Bonds (Cincinnati/Northern Kentucky International Airport), AMT, Series A, 6.30% due 3/01/2015 (f)	5,017
Louisiana--2.8%	AAA	Aaa	4,000	Louisiana Public Facilities Authority Revenue Bonds (General Health Inc. Project), 6.375% due 11/01/2024 (c)	4,056
	AAA	Aaa	4,340	Louisiana Public Facilities Authority, Revenue Refunding Bonds (Jefferson Parish Eastbank Project), 7.70% due 8/01/2010 (b)	4,890
	AAA	Aaa	4,700	Louisiana Stadium and Expo District, Hotel Revenue Refunding Bonds (Occupancy Tax), Series A, 6% due 7/01/2024 (b)	4,579
Massachusetts--3.1%	AAA	Aaa	4,530	Boston, Massachusetts, GO, UT, Series A, 10% due 7/01/2000 (c)	5,655
	AAA	Aaa	3,000	Massachusetts Bay Transportation Authority, COP, Series A, 7.65% due 8/01/2015 (f)	3,371
	A+	A	3,500	Massachusetts Bay Transportation Authority Revenue Bonds (Massachusetts General Transportation System), Series B, 5.90% due 3/01/2024	3,326
	AAA	Aaa	2,500	Massachusetts State Port Authority Revenue Bonds, AMT, Series A, 7.50% due 7/01/2020 (b)	2,749
Michigan--2.2%	A-	A	1,500	Michigan State Hospital Finance Authority, Hospital Revenue Refunding Bonds (Detroit Medical Center), Series A, 6.50% due 8/15/2018	1,477
	AAA	Aaa	5,000	Michigan State Trunk Line Bonds, Series A, 5.75% due 11/15/2020 (b)	4,747
	A-1	P1	1,100	Midland County, Michigan, Economic Development Corp., Limited Obligation Revenue Bonds (Dow Chemical Co. Project), AMT, VRDN, Series A, 3.15% due 12/01/2023 (a)	1,100
	AAA	Aaa	3,000	Monroe County, Michigan, PCR (Detroit Edison Company Project), AMT, Series 1, 7.65% due 9/01/2020 (b)	3,320
Minnesota--0.6%	A-1+	VMIG1	1,600	Duluth, Minnesota, Tax Increment Revenue Bonds (Lake Superior Paper), VRDN, 2.75% due 4/01/2010 (a)	1,600
	NR	VMIG1	1,300	Minneapolis, Minnesota, Community Development Agency Revenue Bonds (Riverplace Project-Pinnacle Apartments), VRDN, 3.10% due 2/01/2012 (a)	1,300
Mississippi--1.1%				Mississippi Hospital Equipment and Facilities Authority Revenue Bonds:	
	AAA	Aaa	2,000	(Mississippi Baptist Medical Center), Series A, 7.50% due 5/01/2012 (c)	2,199
	AAA	Aaa	3,400	Refunding and Improvement (North Mississippi Health Service),	

				Series 1, 5.25% due 5/15/2013 (d)	3,079
Missouri--1.9%	AAA	Aaa	7,545	Kansas City, Missouri, School District Building Corporation, Leasehold Revenue Refunding Bonds (Capital Improvements Project), Series A, 10.50% due 2/01/1999 (b)	9,190
	NR	VMIG1	300	Missouri Higher Education Loan Authority, Student Loan Revenue Bonds, VRDN, AMT, Series A, 3% due 6/01/2017 (a)	300

</TABLE>

<TABLE>
SCHEDULE OF INVESTMENTS(continued) (in Thousands)
<CAPTION>

	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<S>	<S>	<C>	<S>	<C>
Montana--0.5%	AAA	Aaa	$ 2,185	Forsyth, Montana, PCR, Refunding (Puget Sound Power and Light), AMT, Series B, 7.25% due 8/01/2021 (d)	$ 2,343
Nevada--0.7%	AAA	Aaa	3,500	Washoe County, Nevada, Gas and Water Facilities, Revenue Refunding Bonds (Sierra Pacific), 6.30% due 12/01/2014 (d)	3,544
New Jersey--4.0%	AAA	Aaa	2,500	New Jersey State Health Care Facilities Financing Authority Revenue Bonds (Newark Beth Israel Medical Center), 6% due 7/01/2024 (f)	2,442
				New Jersey State Housing and Mortgage Finance Agency, Home Buyer Revenue Bonds, AMT:	
	AAA	Aaa	3,840	Series B, 7.90% due 10/01/2022 (c)	4,003
	AAA	Aaa	8,060	Series D, 7.70% due 10/01/2029	8,386
	AAA	Aaa	4,600	Salem County, New Jersey, Industrial Pollution Control Financing Authority, Revenue Refunding Bonds (Public Service Electric & Gas Company Project), Series B, 6.25% due 6/01/2031 (c)	4,607
New Mexico--0.5%	AAA	Aaa	2,300	Santa Fe, New Mexico, Revenue Bonds, Series A, 6.30% due 6/01/2024 (d)	2,318
New York--8.6%	AAA	Aaa	5,700	Metropolitan Transportation Authority, New York, Commuter Facilities Revenue Bonds, Series A, 6.375% due 7/01/2018 (c)	5,792
	AAA	Aaa	2,000	Metropolitan Transportation Authority, New York, Service Contract Revenue Refunding Bonds (Transportation Facilities), Series L, 7.50% due 7/01/2017 (d)	2,207
				New York City, New York, GO, UT:	
	A-	NR	265	Series B, 8% due 6/01/2001 (i)	308
	A-	Baa1	3,235	Series B, 8.25% due 6/01/2002	3,749
	A-	Baa1	3,000	Series D, 9.50% due 8/01/2002	3,731
	A-	Baa1	1,600	Series H, 7.20% due 2/01/2015	1,708
	A-	Baa1	2,000	Series H, 7% due 2/01/2017	2,088
	AAA	Aaa	12,000	New York City, New York, Municipal Water Finance Authority, Water and Sewer System Revenue Bonds, Registered IRS, 5.35% due 6/15/2012 (a) (c)	10,979
				New York State Medical Care Facilities Financing Agency Revenue Bonds:	
	BBB+	Baa1	2,800	Refunding (Mental Health Services), Series F, 5.375% due 2/15/2014	2,474
	AAA	Aaa	5,250	(Saint Francis Hospital Project), Series A, 7.625% due 11/01/2021 (b)	5,840
	A+	Aa	4,000	Triborough Bridge and Tunnel Authority, New York, General Purpose Revenue Bonds, Series A, 5.20% due 1/01/2020	3,477
North Carolina--0.2%	AAA	Aaa	1,000	Fayetteville, North Carolina, Public Works Commission Revenue Refunding Bonds, 7% due 3/01/2000 (b) (h)	1,112
North Dakota--0.7%	AAA	Aaa	3,000	Bismarck, North Dakota, Hospital Revenue Refunding and Improvement Bonds (Medical Center One, Inc.), 7.50% due 5/01/2013 (e)	3,325
Ohio--0.9%	AAA	Aaa	2,000	Ohio Municipal Electric Generation Agency, Joint Venture 5 Revenue Bonds, 5.375% due 2/15/2024 (d)	1,778
	AAA	Aaa	2,150	Ohio State Air Quality Development Authority, PCR, Refunding (Ohio-Edison), Series A, 7.45% due 3/01/2016 (b)	2,384
Oklahoma--0.2%	AAA	Aaa	1,170	Muskogee County, Oklahoma, Home Financing Authority, S/F Mortgage Revenue Refunding Bonds, Series A, 7.60% due 12/01/2010 (b)	1,202
Oregon--0.5%	A+	A1	2,400	Portland, Oregon, Sewer System Revenue Bonds, Series A, 6.25% due 6/01/2015	2,418
Pennsylvania--2.4%	AAA	Aaa	3,350	Pennsylvania Convention Center Authority Revenue Bonds, Series A, 6.70% due 9/01/2016 (b)	3,674
	AAA	Aaa	4,000	Pennsylvania State Higher Education Assistance Agency, Student Loan	

				Revenue Bonds, AMT, 7.437% due 3/01/2020 (c)	4,248
	AAA	Aaa	4,590	Philadelphia, Pennsylvania, Water and Wastewater Revenue Refunding Bonds, 5% due 6/15/2017 (c)	3,901
Rhode Island--1.9%	AAA	Aaa	10,000	Rhode Island Depositors Economic Protection Corporation, Special Obligation Refunding Bonds, Series A, 5.75% due 8/01/2019 (f)	9,444
South Carolina--1.3%				Richland County, South Carolina, Hospital Facilities Revenue Refunding Bonds (South Carolina Baptist Hospital), Series B (d):	
	AAA	Aaa	1,515	10% due 8/01/1999	1,854
	AAA	Aaa	1,855	10% due 8/01/2000	2,332
	AAA	Aaa	2,500	South Carolina Public Service Authority, Revenue Refunding Bonds, Series A, 5.50% due 7/01/2021 (c)	2,257
South Dakota--1.8%	AAA	Aaa	8,000	South Dakota State Health and Educational Facilities Authority, Revenue Refunding Bonds (McKennan Hospital), Series A, 7.625% due 7/01/2014 (c)	8,890
Tennessee--4.6%	AAA	Aaa	2,250	Chattanooga--Hamilton County, Tennessee, Hospital Authority, Revenue Refunding Bonds (Erlanger Medical Center), 5.50% due 10/01/2013 (f)	2,077
				Metropolitan Nashville Airport Authority, Tennessee, Airport Revenue Bonds, Series B (b):	
	AAA	Aaa	7,350	7.75% due 7/01/2006	8,563
	AAA	Aaa	4,985	7.75% due 7/01/2007	5,808
	AAA	Aaa	5,450	Mount Juliet, Tennessee, Public Building Authority Revenue Bonds (Madison Suburban Utility District Loan), Series B, 7.80% due 2/01/2019 (c)	6,420
Texas--6.3%	AAA	Aaa	3,900	Austin, Texas, Utility System Revenue Refunding Bonds, 5.75% due 11/15/2016 (d)	3,707
	AAA	Aaa	3,000	Brazos River Authority, Texas, Revenue Refunding Bonds (Houston Light and Power Company Project), Series C, 8.10% due 5/01/2019 (e)	3,358
	AAA	Aaa	5,000	Houston, Texas, Water and Sewer System Revenue Refunding Bonds (Junior Lien), Series C, 6.375% due 12/01/2017 (d)	5,064
				Matagorda County, Texas, Navigational District No. 1, PCR (Houston Power and Light Company Project), AMT (b):	
	AAA	Aaa	3,000	7.875% due 11/01/2016	3,257
	AAA	Aaa	4,000	Series D, 7.60% due 10/01/2019	4,416
	AAA	Aaa	10,485	Texas Water Resource Finance Authority Revenue Bonds, 7.50% due 8/15/2013 (d)	11,226
Utah--2.1%	AA	Aa	5,000	Intermountain Power Agency, Utah, Power Supply Revenue Bonds, Series B, 7% due 7/01/2021	5,274
	AA	Aa	5,000	Salt Lake City, Utah, Hospital Revenue Refunding Bonds (IHC Hospitals Incorporated), 6.30% due 2/15/2015	5,182
Vermont--1.4%	AAA	Aaa	6,635	Vermont HFA, Home Mortgage Purchase Revenue Bonds, AMT, Series B, 7.60% due 12/01/2024 (c)	6,916

</TABLE>

<TABLE>
SCHEDULE OF INVESTMENTS (concluded) (in Thousands)
<CAPTION>

<S>	S&P Ratings <S>	Moody's Ratings <S>	Face Amount <C>	Issue <S>	Value (Note 1a) <C>
Washington--2.6%				Washington State Public Power Supply System, Revenue Refunding Bonds:	
	AAA	Aaa	5,000	(Nuclear Project No. 1), Series A, 6.25% due 7/01/2017 (c)	$ 5,003
	AAA	Aaa	3,440	(Nuclear Project No. 3), Series A, 6% due 7/01/2018 (e)	3,380
	AAA	Aaa	4,000	(Nuclear Project No. 3), Series C, 7.50% due 7/01/2008 (c)	4,647
Wisconsin--2.4%	AAA	Aaa	7,885	Wisconsin Public Power Incorporated, System Power Supply, System Revenue Bonds, Series A, 7.40% due 7/01/2020 (d) (i)	8,971
	AAA	Aaa	2,750	Wisconsin State Health and Educational Facilities Authority, Revenue Refunding Bonds (Wheaton Franciscan Services), 6.50% due 8/15/2011 (c)	2,824
	Total Investments (Cost--$487,008)--102.1%				501,283
	Liabilities in Excess of Other Assets--(2.1%)				(10,227)

	Net Assets--100.0%				$491,056
					========

<FN>
(a) The interest rate is subject to change periodically based upon prevailing market rates. The interest rate shown is the rate in effect at July 31, 1994.
(b) FGIC Insured.
(c) MBIA Insured.
(d) AMBAC Insured.

(e)BIG Insured.
(f)FSA Insured.
(g)FNMA/GNMA Collateralized.
(h)Prerefunded.
(i)Escrowed to Maturity.
++Highest short-term rating issued by Moody's Investors Service, Inc.

See Notes to Financial Statements.
</TABLE>

<TABLE>
STATEMENT OF ASSETS, LIABILITIES AND CAPITAL
<CAPTION>

	As of July 31, 1994		
<S>	<S>	<C>	<C>
Assets:	Investments, at value (identified cost--$487,007,725) (Note 1a)		$501,282,960
	Cash		4,115,046
	Interest receivables		6,766,451
	Deferred organization expenses (Note 1e)		852
	Prepaid expenses and other assets		22,652

	Total assets		512,187,961

Liabilities:	Payables:		
	Securities purchased	$ 20,227,300	
	Dividends	617,994	
	Investment adviser (Note 2)	192,487	21,037,781

	Accrued expenses and other liabilities		94,225

	Total liabilities		21,132,006

Net Assets:	Net assets		$491,055,955
			============
Capital:	Capital Stock (200,000,000 shares authorized) (Note 4):		
	Preferred Stock, par value $.10 per share (1,500 shares of AMPS* issued and outstanding at $100,000 per share liquidation preference)		$150,000,000
	Common Stock, par value $.10 per share (29,007,770 shares issued and outstanding)	$ 2,900,777	
	Paid-in capital in excess of par	319,102,131	
	Undistributed investment income--net	3,531,299	
	Undistributed realized capital gains--net	1,246,513	
	Unrealized appreciation on investments--net	14,275,235	

	Total--Equivalent to $11.76 net asset value per share of Common Stock (market price--$11.125)		341,055,955

	Total capital		$491,055,955
			============

<FN>
*Auction Market Preferred Stock.

See Notes to Financial Statements.
</TABLE>

<TABLE>
STATEMENT OF OPERATIONS
<CAPTION>

	For the Six Months Ended Ended July 31, 1994		
<S>	<S>	<C>	<C>
Investment Income (Note 1d):	Interest and amortization of premium and discount earned		$ 15,317,420
Expenses:	Investment advisory fees (Note 2)	$ 1,211,668	
	Commission fees (Note 4)	188,935	
	Transfer agent fees	72,912	
	Professional fees	42,498	
	Printing and shareholder reports	33,951	
	Accounting services (Note 2)	29,891	
	Directors' fees and expenses	22,038	
	Custodian fees	20,114	
	Listing fees	16,384	
	Pricing fees	8,859	

	Amortization of organization expenses (Note 1e)	412	
	Other	12,389	
	Total expenses		1,660,051
	Investment income--net		13,657,369
Realized & Unrealized Loss on Investments--Net (Notes 1d & 3):	Realized loss on investments--net		(405,315)
	Change in unrealized appreciation on investments--net		(35,436,439)
	Net Decrease in Net Assets Resulting from Operations		$(22,184,385)

See Notes to Financial Statements.

</TABLE>

<TABLE>

STATEMENTS OF CHANGES IN NET ASSETS

<CAPTION>

	Increase (Decrease) in Net Assets:	For the Six Months Ended July 31, 1994	For the Year Ended Jan. 31, 1994
<S>	<S>	<C>	<C>
Operations:	Investment income--net	$ 13,657,369	$ 29,038,208
	Realized gain (loss) on investments--net	(405,315)	13,988,460
	Change in unrealized appreciation on investments--net	(35,436,439)	17,230,790
	Net increase (decrease) in net assets resulting from operations	(22,184,385)	60,257,458
Dividends & Distributions to Shareholders (Note 1g):	Investment income--net:		
	Preferred Stock	(1,951,465)	(3,568,270)
	Common Stock	(11,534,186)	(24,266,522)
	Realized gain on investments--net:		
	Common Stock	--	(12,392,997)
	Net decrease in net assets resulting from dividends and distributions to shareholders	(13,485,651)	(40,227,789)
Common Stock Transactions (Note 4):	Net increase in net assets derived from Common Stock transactions	--	5,852,928
Net Assets:	Total increase (decrease) in net assets	(35,670,036)	25,882,597
	Beginning of period	526,725,991	500,843,394
	End of period*	$491,055,955	$526,725,991

<FN>

*Undistributed investment income--net $ 3,531,299 $ 3,359,581

See Notes to Financial Statements.

</TABLE>

<TABLE>

FINANCIAL HIGHLIGHTS

<CAPTION>

	The following per share data and ratios have been derived from information provided in the financial statements. Increase (Decrease) in Net Asset Value:	For the Six Months Ended July 31, 1994	For the Year Ended January 31, 1994	1993	1992	1991
<S>	<S>	<C>	<C>	<C>	<C>	<C>
Per Share Operating Performance:	Net asset value, beginning of period	$ 12.99	$ 12.29	$ 11.96	$ 11.45	$ 11.15
	Investment income--net	.47	1.01	1.06	1.09	1.12
	Realized and unrealized gain (loss) on investments--net	(1.23)	1.09	.68	.71	.30
	Total from investment operations	(.76)	2.10	1.74	1.80	1.42
	Less dividends and distributions to Common Stock shareholders:					
	Investment income--net	(.40)	(.85)	(.91)	(.84)	(.79)
	Realized gain on investments--net	--	(.43)	(.35)	(.20)	--

	Total dividends and distributions to Common Stock shareholders	(.40)	(1.28)	(1.26)	(1.04)	(.79)
	Effect of Preferred Stock activity: Dividends to Preferred Stock shareholders: Investment income--net	(.07)	(.12)	(.15)	(.25)	(.33)
	Total effect of Preferred Stock activity	(.07)	(.12)	(.15)	(.25)	(.33)
	Net asset value, end of period	$ 11.76	$ 12.99	$ 12.29	$ 11.96	$ 11.45
	Market price per share, end of period	$ 11.125	$ 13.125	$ 13.25	$ 12.625	$ 11.375
Total Investment Return:**	Based on market price per share	(12.17%)+++	9.28%	16.27%	21.23%	8.61%
	Based on net asset value per share	(6.18%)+++	16.61%	13.84%	14.09%	5.40%
Ratios to Average Net Assets:***	Expenses	.68%*	.68%	.69%	.70%	.71%
	Investment income--net	5.62%*	5.54%	6.13%	6.41%	6.68%
Supplemental Data:	Net assets, net of Preferred Stock, end of period (in thousands)	$341,056	$376,726	$350,843	$335,268	$313,765
	Preferred Stock outstanding, end of period (in thousands)	$150,000	$150,000	$150,000	$150,000	$150,000
	Portfolio turnover	28.75%	41.61%	34.42%	70.17%	116.42%
Dividends Per Share on Preferred Stock Outstanding:	Series A--Investment income--net	$ 1,388	$ 2,388	$ 2,995	$ 4,539	$ 6,017
	Series B--Investment income--net	1,223	2,430	2,931	4,338	6,014
	Series C--Investment income--net	1,292	2,318	2,938	4,378	5,942

<FN>
*Annualized.
**Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, result in substantially different returns. Total investment returns exclude the effects of sales loads.
***Do not reflect the effect of dividends to Preferred Stock Shareholders.
+++Aggregate total investment return.

See Notes to Financial Statements.

</TABLE>

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:
MuniEnhanced Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940 as a non-diversified, closed-end management investment company. The Fund determines and makes available for publication the net asset value of its Common Stock on a weekly basis. The Fund's Common Stock is listed on the New York Stock Exchange under the symbol MEN. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments--Municipal bonds are traded primarily in the over-the-counter markets and are valued at the most recent bid price or yield equivalent as obtained by the Fund's pricing service from dealers that make markets in such securities. Financial futures contracts, which are traded on exchanges, are valued at their closing prices as of the close of such exchanges. Options, which are traded on exchanges, are valued at their last sale price as of the close of such exchanges or, lacking any sales, at the last available bid price. Securities with remaining maturities of sixty days or less are valued at amortized cost, which approximates market value. Securities for which market quotations are not readily available are valued at their fair value as determined in good faith by or under the direction of the Board of Directors of the Fund.

(b) Financial futures contracts--The Fund may purchase or sell interest rate futures contracts and options on such futures contracts for the purpose of hedging the market risk on existing securities or the intended purchase of securities. Futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

(c) Income taxes--It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required.

(d) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Interest income is recognized on the accrual basis. Discounts and market premiums are amortized into interest income. Realized gains and losses on security transactions are determined on the identified cost basis.

(e) Deferred organization expenses--Deferred organization expenses are amortized on a straight-line basis over a five-year period beginning with the commencement of operations of the Fund.

(f) Non-income producing investments--Written and purchased options are non-income producing investments.

(g) Dividends and distributions--Dividends from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates.

2. Investment Advisory Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM"). The general partner of FAM is Princeton Services, Inc., an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."). The limited partners are ML & Co. and Fund Asset Management, Inc. ("FAMI"), which is also an indirect wholly-owned subsidiary of ML & Co. FAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee at an annual rate of 0.50% of the Fund's average weekly net assets.

Accounting services are provided to the Fund by FAM at cost.

Certain officers and/or directors of the Fund are officers and/or directors of FAM, FAMI, MLIM, Merrill Lynch, Pierce Fenner & Smith Inc. ("MLPF&S"), and/or ML & Co.

3. Investments:

Purchases and sales of investments, excluding short-term securities, for the six months ended July 31, 1994 were $142,412,197 and $135,161,562, respectively.

Net realized and unrealized gains (losses) as of July 31, 1994 were as follows:

	Realized Gains (Losses)	Unrealized Gains (Losses)
Long-term investments	$(1,131,767)	$14,351,153
Short-term investments	(1,117)	(75,918)
Financial futures contracts	727,569	--
Total	$ (405,315)	$14,275,235

As of July 31, 1994, net unrealized appreciation for Federal income tax purposes aggregated $14,275,235, of which $19,948,792 related to appreciated securities and $5,673,557 related to depreciated securities. The aggregate cost of investments at July 31, 1994 for Federal income tax purposes was $487,007,725.

4. Capital Share Transactions:
The Fund is authorized to issue 200,000,000 shares of capital stock, par value $.10 per share, all of which were initially classified as Common Stock. The Board of Directors is authorized, however, to reclassify any unissued shares of capital stock without the approval of the holders of Common Stock.

For the six months ended July 31, 1994, shares issued and outstanding remained constant. At July 31, 1994, total paid-in capital amounted to $322,002,908.

Preferred Stock
The Auction Market Preferred Stock ("AMPS") are shares of Preferred Stock of the Fund that entitle their holders to receive cash dividends at an annual rate that may vary for the successive dividend period for each series.

In connection with the offering of AMPS, the Board of Directors reclassified 1,500 shares of unissued Common Stock as AMPS. The number of AMPS shares authorized, issued and outstanding for the year ended January 31, 1994 was as follows:

Series A AMPS	Series B AMPS	Series C AMPS
500	500	500

Liquidation preference is $100,000 per share, plus accumulated and unpaid dividends of $18,664.

The yields in effect at July 31, 1994 were as follows: Series A, 2.875%; Series B, 2.80%; and Series C, 2.85%.

The Fund pays commissions to certain broker-dealers at the end of each auction at the annual rate of one-quarter of 1% calculated on the proceeds of each auction. For the six months ended July 31, 1994, MLPF&S, an affiliate of FAM, received $156,196 as commissions.

5. Subsequent Event:
On August 9, 1994, the Fund's Board of Directors declared an ordinary income dividend to Common Stock shareholders in the amount of $.067131 per share, payable on August 30, 1994 to shareholders of record as of August 19, 1994.

OFFICERS AND DIRECTORS

Arthur Zeikel, President and Director
Kenneth S. Axelson, Director
Herbert I. London, Director
Robert R. Martin, Director
Joseph L. May, Director
Andre F. Perold, Director
Terry K. Glenn, Executive Vice President
Donald C. Burke, Vice President
Vincent R. Giordano, Vice President
Kenneth A. Jacob, Vice President
Gerald M. Richard, Treasurer
Mark B. Goldfus, Secretary

Custodian
State Street Bank and Trust Company
225 Franklin Street
Boston, Massachusetts 02110

NYSE Symbol
MEN

Transfer Agents

Common Stock:
State Street Bank and Trust Company
225 Franklin Street
Boston, Massachusetts 02110

Preferred Stock:
IBJ Schroder Bank & Trust Company
One State Street
New York, New York 10004