

DREYFUS MUNICIPAL INCOME INC  
Form N-Q  
August 27, 2012

**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      811-5652

Dreyfus Municipal Income, Inc.  
(Exact name of Registrant as specified in charter)

c/o The Dreyfus Corporation

200 Park Avenue

New York, New York 10166  
(Address of principal executive offices) (Zip code)

Janette Farragher, Esq.

200 Park Avenue

New York, New York 10166  
(Name and address of agent for service)

Registrant's telephone number, including area code:      (212) 922-6000

Date of fiscal year end:      09/30

Date of reporting period:      06/30/2012

**FORM N-Q**

**Item 1. Schedule of Investments.**

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**STATEMENT OF INVESTMENTS****Dreyfus Municipal Income, Inc.****June 30, 2012 (Unaudited)**

<b>Long-Term Municipal Investments--146.1%</b>	<b>Coupon Rate (%)</b>	<b>Maturity Date</b>	<b>Principal Amount (\$)</b>	<b>Value (\$)</b>
<b>Arizona--10.4%</b>				
Apache County Industrial Development Authority, PCR (Tucson Electric Power Company Project)	4.50	3/1/30	1,500,000	1,536,105
Barclays Capital Municipal Trust Receipts (Salt River Project Agricultural Improvement and Power District, Salt River Project Electric System Revenue)	5.00	1/1/38	9,998,763 a,b	10,988,013
Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue	6.25	7/1/28	1,000,000	1,062,490
Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue	7.00	7/1/28	2,000,000	2,164,560
Pima County Industrial Development Authority, Education Revenue (American Charter Schools Foundation Project)	5.63	7/1/38	2,000,000	1,842,760
Pima County Industrial Development Authority, IDR (Tucson Electric Power Company Project)	5.75	9/1/29	1,000,000	1,062,380
Pinal County Electrical District Number 4, Electric System Revenue	6.00	12/1/38	2,300,000	2,462,679
Salt Verde Financial Corporation, Senior Gas Revenue	5.00	12/1/37	490,000	497,081
<b>California--22.4%</b>				
ABAG Finance Authority for Nonprofit Corporations, Insured Revenue, COP (Odd				

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Fellows Home of California) California,	6.00	8/15/24	5,000,000	5,110,800
GO (Various Purpose) California,	5.75	4/1/31	3,950,000	4,571,651
GO (Various Purpose) California,	6.00	3/1/33	1,250,000	1,499,075
GO (Various Purpose) California,	6.50	4/1/33	3,000,000	3,632,490
GO (Various Purpose) California Municipal Finance Authority, Revenue	6.00	11/1/35	2,500,000	2,955,400
(Southwestern Law School) California State Public Works Board, LR (The Regents of the University of California) (Various University of California Projects)	6.50	11/1/41	750,000	871,680
Chula Vista, IDR (San Diego Gas and Electric Company)	5.00	4/1/34	1,000,000	1,081,680
Golden State Tobacco Securitization Corporation, Tobacco Settlement	5.88	2/15/34	2,000,000	2,310,300
Asset-Backed Bonds Golden State Tobacco Securitization Corporation, Tobacco Settlement	4.50	6/1/27	1,000,000	826,620
Asset-Backed Bonds (Prerefunded)	7.80	6/1/13	1,000,000 c	1,069,700
JPMorgan Chase Putters/Drivers Trust (Los Angeles Departments of Airports, Senior Revenue (Los Angeles International Airport))	5.25	5/15/18	10,000,000 a,b	11,548,900
Sacramento County, Airport System Subordinate and Passenger Facility Charges Grant Revenue	6.00	7/1/35	2,250,000	2,567,340

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San Diego Public Facilities  
Financing Authority, Senior

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Sewer Revenue	5.25	5/15/34	1,000,000	1,131,890
Santa Ana Community Redevelopment Agency, Tax Allocation Revenue (Merged Project Area)	6.75	9/1/28	3,000,000	3,442,860
Tobacco Securitization Authority of Southern California, Tobacco Settlement Asset-Backed Bonds (San Diego County Tobacco Asset Securitization Corporation)	5.00	6/1/37	3,500,000	2,689,925
Tuolumne Wind Project Authority, Revenue (Tuolumne Company Project)	5.88	1/1/29	1,500,000	1,764,300
<b>Colorado--5.5%</b>				
Colorado Educational and Cultural Facilities Authority, Charter School Revenue (American Academy Project)	8.00	12/1/40	1,500,000	1,834,650
Colorado Health Facilities Authority, Health Facilities Revenue (The Evangelical Lutheran Good Samaritan Society Project) (Prerefunded)	6.13	6/1/14	2,525,000 c	2,799,871
Colorado Springs, HR	6.38	12/15/30	2,890,000	2,894,046
E-470 Public Highway Authority, Senior Revenue	5.25	9/1/25	1,000,000	1,068,370
E-470 Public Highway Authority, Senior Revenue	5.38	9/1/26	1,000,000	1,069,090
University of Colorado Regents, University Enterprise Revenue	5.38	6/1/38	1,500,000	1,731,795
<b>Florida--8.7%</b>				
Citizens Property Insurance Corporation, Personal Lines Account/Commercial Lines Account Senior Secured Revenue	5.00	6/1/22	1,500,000	1,681,590

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Greater Orlando Aviation Authority, Airport Facilities				
Revenue	6.25	10/1/20	3,980,000	4,901,290

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Higher Educational Facilities Financing Authority, Revenue (The University of Tampa Project)	5.25	4/1/42	2,000,000	2,127,800
Mid-Bay Bridge Authority, Springing Lien Revenue	7.25	10/1/34	2,500,000	3,082,775
Palm Beach County Health Facilities Authority, Revenue (The Waterford Project)	5.88	11/15/37	2,400,000	2,476,128
Saint Johns County Industrial Development Authority, Revenue (Presbyterian Retirement Communities Project)	5.88	8/1/40	2,500,000	2,703,525
South Lake County Hospital District, Revenue (South Lake Hospital, Inc.)	6.25	4/1/39	1,000,000	1,095,100
<b>Georgia--2.5%</b>				
Atlanta, Airport General Revenue	5.00	1/1/26	1,500,000	1,644,045
Atlanta, Water and Wastewater Revenue	6.00	11/1/28	3,000,000	3,552,960
<b>Hawaii--1.3%</b>				
Hawaii Department of Budget and Finance, Special Purpose Revenue (Hawaiian Electric Company, Inc. and Subsidiary Projects)	6.50	7/1/39	2,400,000	2,788,872
<b>Illinois--4.1%</b>				
Chicago, General Airport Third Lien Revenue (Chicago O'Hare International Airport)	5.63	1/1/35	1,000,000	1,150,790
Greater Chicago Metropolitan Water Reclamation District, GO Capital Improvement Limited				

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Tax Bonds	5.00	12/1/32	2,500,000	2,888,800
Illinois,				
GO	5.00	8/1/24	1,000,000	1,095,890
Railsplitter Tobacco Settlement				
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Authority, Tobacco Settlement				
Revenue	6.00	6/1/28	2,000,000	2,279,080
University of Illinois Board of				
Trustees, Auxiliary Facilities				
System Revenue	5.13	4/1/36	1,000,000	1,087,360
<b>Indiana--2.2%</b>				
Indiana Finance Authority,				
Educational Facilities Revenue				
(Butler University Project)	5.00	2/1/31	1,460,000	1,550,768
Indiana Finance Authority,				
Midwestern Disaster Relief				
Revenue (Ohio Valley Electric				
Corporation Project)	5.00	6/1/39	1,500,000	1,529,340
Indianapolis Local Public				
Improvement Bond Bank, Revenue				
(Indianapolis Airport				
Authority Project) (Insured;				
AMBAC)	5.00	1/1/36	1,500,000	1,549,680
<b>Iowa--1.6%</b>				
Iowa Student Loan Liquidity				
Corporation, Student Loan				
Revenue	5.75	12/1/28	3,000,000	3,327,690
<b>Louisiana--.6%</b>				
Louisiana Public Facilities				
Authority, Revenue (CHRISTUS				
Health Obligated Group)	6.13	7/1/29	1,000,000	1,155,450
<b>Maine--.7%</b>				
Maine Health and Higher				
Educational Facilities				
Authority, Revenue				
(MaineGeneral Medical Center				
Issue)	7.50	7/1/32	1,250,000	1,526,188
<b>Maryland--2.0%</b>				
Maryland Economic Development				

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Corporation, EDR (Transportation Facilities Project)	5.75	6/1/35	1,000,000	1,080,760
Maryland Economic Development Corporation, PCR (Potomac Electric Project)	6.20	9/1/22	2,500,000	3,034,625

**Massachusetts--11.4%**

Barclays Capital Municipal Trust Receipts (Massachusetts Health and Educational Facilities Authority, Revenue (Massachusetts Institute of Technology Issue))	5.00	7/1/38	10,000,000 a,b	11,435,000
Massachusetts Development Finance Agency, Revenue (Partners HealthCare System Issue)	5.00	7/1/36	1,000,000	1,103,230
Massachusetts Development Finance Agency, Revenue (Tufts Medical Center Issue)	7.25	1/1/32	1,500,000	1,815,420
Massachusetts Health and Educational Facilities Authority, Healthcare System Revenue (Covenant Health Systems Obligated Group Issue)	6.00	7/1/31	1,970,000	1,998,585
Massachusetts Health and Educational Facilities Authority, Revenue (Suffolk University Issue)	6.25	7/1/30	2,000,000	2,286,340
Massachusetts Industrial Finance Agency, Water Treatment Revenue (Massachusetts-American Hingham Project)	6.95	12/1/35	5,235,000	5,239,450
<b>Michigan--9.0%</b> Detroit, Sewage Disposal System Senior Lien Revenue (Insured; Assured Guaranty Municipal Corp.)	7.50	7/1/33	2,140,000	2,595,863



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Detroit, Water Supply System Senior Lien Revenue	5.00	7/1/31	1,500,000	1,548,855
Detroit, Water Supply System Senior Lien Revenue	5.00	7/1/36	3,000,000	3,027,060
Michigan Building Authority, Revenue (Facilities Program)	5.13	10/15/30	2,025,000	2,278,064
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Michigan Hospital Finance Authority, HR (Henry Ford Health System)	5.00	11/15/38	1,515,000	1,558,359
Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	3,685,000	3,662,190
Royal Oak Hospital Finance Authority, HR (William Beaumont Hospital Obligated Group)	8.00	9/1/29	2,500,000	3,181,900
Wayne County Airport Authority, Airport Revenue (Detroit Metropolitan Wayne County Airport) (Insured; National Public Finance Guarantee Corp.)	5.00	12/1/34	1,000,000	1,006,360
<b>Minnesota--1.8%</b>				
Minneapolis, Health Care System Revenue (Fairview Health Services)	6.75	11/15/32	3,000,000	3,612,750
Minnesota Agricultural and Economic Development Board, Health Care System Revenue (Fairview Health Care Systems)	6.38	11/15/29	80,000	80,150
<b>Mississippi--2.7%</b>				
Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project)	5.88	4/1/22	3,500,000	3,509,485
Warren County, Gulf Opportunity Zone Revenue (International Paper Company				

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Project)	5.38	12/1/35	2,000,000	2,152,200
<b>Nebraska--1.5%</b>				
Nebraska Public Power District, General Revenue	5.00	1/1/32	2,785,000	3,167,381
<b>New Jersey--3.4%</b>				
New Jersey Economic Development Authority, Water Facilities Revenue (New Jersey - American Water Company, Inc. Project)	5.70	10/1/39	2,000,000	2,207,780
New Jersey Higher Education				
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Student Assistance Authority, Student Loan Revenue (Insured; Assured Guaranty Municipal Corp.)	6.13	6/1/30	2,500,000	2,711,075
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/29	2,500,000	2,236,425
<b>New Mexico--1.6%</b>				
Farmington, PCR (Public Service Company of New Mexico San Juan Project)	5.90	6/1/40	3,000,000	3,274,050
<b>New York--6.8%</b>				
Barclays Capital Municipal Trust Receipts (New York City Transitional Finance Authority, Future Tax Secured Revenue)	5.00	5/1/30	7,996,797 a,b	9,023,477
New York City Educational Construction Fund, Revenue	6.50	4/1/28	1,500,000	1,875,945
New York City Industrial Development Agency, PILOT Revenue (Yankee Stadium Project) (Insured; Assured Guaranty Municipal Corp.)	7.00	3/1/49	1,435,000	1,705,612
Port Authority of New York and New Jersey, Special Project Bonds (JFK International Air				

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Terminal LLC Project)	6.00	12/1/36	1,500,000	1,685,295
<b>North Carolina--2.6%</b>				
Barclays Capital Municipal Trust Receipts (North Carolina Medical Care Commission, Health Care Facilities Revenue (Duke University Health System))	5.00	6/1/42	5,000,000 a,b	5,362,800
<b>Ohio--2.1%</b>				
Butler County, Hospital Facilities Revenue (UC Health)	5.50	11/1/40	1,500,000	1,609,170
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Ohio Air Quality Development Authority, Air Quality Revenue (Ohio Valley Electric Corporation Project)	5.63	10/1/19	600,000	693,510
Toledo-Lucas County Port Authority, Special Assessment Revenue (Crocker Park Public Improvement Project)	5.38	12/1/35	2,000,000	2,045,940
<b>Pennsylvania--2.1%</b>				
JPMorgan Chase Putters/Drivers Trust (Geisinger Authority, Health System Revenue (Geisinger Health System))	5.13	6/1/35	2,000,000 a,b	2,188,580
Philadelphia, GO	6.50	8/1/41	1,750,000	2,099,930
<b>Rhode Island--1.0%</b>				
Tobacco Settlement Financing Corporation of Rhode Island, Tobacco Settlement Asset-Backed Bonds	6.13	6/1/32	2,000,000	2,037,800
<b>South Carolina--6.7%</b>				
Lancaster Educational Assistance Program, Inc., Installment Purchase Revenue (The School District of Lancaster County, South Carolina, Project)	5.00	12/1/26	5,000,000	5,189,800

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South Carolina Public Service Authority, Revenue Obligations	5.50	1/1/38	3,000,000	3,431,700
Tobacco Settlement Revenue Management Authority of South Carolina, Tobacco Settlement				
Asset-Backed Bonds	6.38	5/15/30	3,750,000	5,338,275
<b>Texas--11.7%</b>				
Barclays Capital Municipal Trust Receipts (Texas A&M University System Board of Regents, Financing System Revenue)	5.00	5/15/39	5,000,000 a,b	5,583,400
Houston, Airport System Subordinate Lien Revenue	5.00	7/1/25	1,300,000	1,445,795

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La Vernia Higher Education Finance Corporation, Education Revenue (Knowledge is Power Program, Inc.)	6.25	8/15/39	2,250,000	2,597,332
Lubbock Educational Facilities Authority, Improvement Revenue (Lubbock Christian University)	5.25	11/1/37	1,500,000	1,529,940
North Texas Education Finance Corporation, Education Revenue (Uplift Education)	5.13	12/1/42	2,000,000	2,087,680
North Texas Tollway Authority, First Tier System Revenue (Insured; Assured Guaranty Municipal Corp.)	5.75	1/1/40	4,000,000	4,535,960
North Texas Tollway Authority, Second Tier System Revenue	5.75	1/1/38	4,000,000	4,337,680
Pasadena Independent School District, Unlimited Tax School Building Bonds (Permanent School Fund Guarantee Program)	5.00	2/15/31	2,000,000	2,336,820
<b>Virginia--2.7%</b>				
Virginia Commonwealth Transportation Board, Transportation Capital				

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Projects Revenue	5.00	5/15/21	1,660,000	2,068,094
Virginia Commonwealth Transportation Board, Transportation Capital				
Projects Revenue	5.00	5/15/22	1,000,000	1,258,680
Washington County Industrial Development Authority, HR (Mountain States Health Alliance)	7.25	7/1/19	2,000,000	2,261,820
<b>Washington--4.7%</b>				
Barclays Capital Municipal Trust Receipts (King County, Sewer Revenue)	5.00	1/1/29	2,999,037 a,b	3,471,972
Port of Seattle, Intermediate Lien Revenue	5.00	8/1/33	1,000,000	1,129,720
Washington Health Care Facilities				
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Authority, Mortgage Revenue (Highline Medical Center) (Collateralized; FHA)	6.25	8/1/36	2,990,000	3,455,902
Washington Health Care Facilities Authority, Revenue (Catholic Health Initiatives)	6.38	10/1/36	1,500,000	1,771,695
<b>West Virginia--.5%</b>				
The County Commission of Harrison County, SWDR (Allegheny Energy Supply Company, LLC Harrison Station Project)	5.50	10/15/37	1,000,000	1,040,360
<b>Wyoming--1.0%</b>				
Wyoming Municipal Power Agency, Power Supply System Revenue	5.50	1/1/38	2,000,000	2,181,480
<b>U.S. Related--10.8%</b>				
Guam, LOR (Section 30)	5.75	12/1/34	1,500,000	1,596,315
Puerto Rico Aqueduct and Sewer Authority, Senior Lien Revenue	5.13	7/1/37	2,500,000	2,496,500
Puerto Rico Commonwealth, Public Improvement GO	5.50	7/1/32	1,000,000	1,069,740
Puerto Rico Commonwealth,				

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Public Improvement GO	6.50	7/1/40	1,000,000	1,151,950
Puerto Rico Electric Power Authority, Power Revenue	5.00	7/1/37	1,945,000	1,955,678
Puerto Rico Electric Power Authority, Power Revenue	5.50	7/1/38	5,400,000	5,645,268
Puerto Rico Electric Power Authority, Power Revenue	5.25	7/1/40	1,500,000	1,531,920
Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series)	5.38	8/1/39	1,000,000	1,054,040
Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series)	6.00	8/1/42	5,500,000	6,149,550
<b>Total Long-Term Municipal Investments</b> (cost \$276,159,031)				<b>305,120,104</b>
<b>Short-Term Municipal</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Principal</b>	

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<b>Investments--.9%</b>	<b>Rate (%)</b>	<b>Date</b>	<b>Amount (\$)</b>	<b>Value (\$)</b>
<b>New York;</b>				
New York City,				
GO Notes (LOC; JPMorgan Chase Bank)	0.18	7/1/12	500,000d	500,000
New York City,				
GO Notes (LOC; JPMorgan Chase Bank)	0.18	7/1/12	1,500,000d	1,500,000
<b>Total Short-Term Municipal Investments</b> (cost \$2,000,000)				<b>2,000,000</b>
<b>Total Investments</b> (cost \$278,159,031)			<b>147.0%</b>	<b>307,120,104</b>
<b>Liabilities, Less Cash and Receivables</b>			<b>(11.1%)</b>	<b>(23,250,658)</b>
<b>Preferred Stock, at redemption value</b>			<b>(35.9%)</b>	<b>(75,000,000)</b>
<b>Net Assets Applicable to Common Shareholders</b>			<b>100.0%</b>	<b>208,869,446</b>

a Collateral for floating rate borrowings.

b Securities exempt from registration pursuant to Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2012, these securities were valued at \$59,602,142 or 28.5% of net assets applicable to Common Shareholders.

c These securities are prerefunded; the date shown represents the prerefunded date. Bonds which are prerefunded are collateralized by U.S. Government securities which are held in escrow and are used to pay principal and interest on the municipal issue and to retire the bonds in full at the earliest refunding date.

d Variable rate demand note - rate shown is the interest rate in effect at June 30, 2012. Maturity date represents the next demand date, or the ultimate maturity date if earlier.

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At June 30, 2012, net unrealized appreciation on investments was \$28,961,073 of which \$29,151,247 related to appreciated investment securities and \$190,174 related to depreciated investment securities. At June 30, 2012, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes.

### Summary of Abbreviations

<b>ABAG</b>	Association of Bay Area Governments	<b>ACA</b>	American Capital Access
<b>AGC</b>	ACE Guaranty Corporation	<b>AGIC</b>	Asset Guaranty Insurance Company
<b>AMBAC</b>	American Municipal Bond Assurance Corporation	<b>ARRN</b>	Adjustable Rate Receipt Notes
<b>BAN</b>	Bond Anticipation Notes	<b>BPA</b>	Bond Purchase Agreement
<hr/>			
<b>CIFG</b>	CDC Ixis Financial Guaranty	<b>COP</b>	Certificate of Participation
<b>CP</b>	Commercial Paper	<b>DRIVERS</b>	Derivative Inverse Tax-Exempt Receipts
<b>EDR</b>	Economic Development Revenue	<b>EIR</b>	Environmental Improvement Revenue
<b>FGIC</b>	Financial Guaranty Insurance Company	<b>FHA</b>	Federal Housing Administration
<b>FHLB</b>	Federal Home Loan Bank	<b>FHLMC</b>	Federal Home Loan Mortgage Corporation
<b>FNMA</b>	Federal National Mortgage Association	<b>GAN</b>	Grant Anticipation Notes
<b>GIC</b>	Guaranteed Investment Contract	<b>GNMA</b>	Government National Mortgage Association
<b>GO</b>	General Obligation	<b>HR</b>	Hospital Revenue
<b>IDB</b>	Industrial Development Board	<b>IDC</b>	Industrial Development Corporation
<b>IDR</b>	Industrial Development Revenue	<b>LIFERS</b>	Long Inverse Floating Exempt Receipts
<b>LOC</b>	Letter of Credit	<b>LOR</b>	Limited Obligation Revenue
<b>LR</b>	Lease Revenue	<b>MERLOTS</b>	Municipal Exempt Receipt Liquidity Option Tender
<b>MFHR</b>	Multi-Family Housing Revenue	<b>MFMR</b>	Multi-Family Mortgage Revenue
<b>PCR</b>	Pollution Control Revenue	<b>P-FLOATS</b>	Puttable Floating Option Tax-Exempts Receipts
<b>PILOT</b>	Payment in Lieu of Taxes	<b>PUTTERS</b>	Puttable Tax-Exempt Receipts
<b>RAC</b>	Revenue Anticipation Certificates	<b>RAN</b>	Revenue Anticipation Notes
<b>RAW</b>	Revenue Anticipation Warrants	<b>ROCS</b>	Reset Option Certificates
<b>RRR</b>	Resources Recovery Revenue	<b>SAAN</b>	State Aid Anticipation Notes
<b>SBPA</b>	Standby Bond Purchase Agreement	<b>SFHR</b>	Single Family Housing Revenue
<b>SFMR</b>	Single Family Mortgage Revenue	<b>SONYMA</b>	State of New York Mortgage Agency
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<b>SPEARS</b>	Short Puttable Exempt Adjustable Receipts	<b>SWDR</b>	Solid Waste Disposal Revenue
<b>TAN</b>	Tax Anticipation Notes	<b>TAW</b>	Tax Anticipation Warrants
<b>TRAN</b>	Tax and Revenue Anticipation Notes	<b>XLCA</b>	XL Capital Assurance

The following is a summary of the inputs used as of June 30, 2012 in valuing the fund's investments:

	Level 1 - Unadjusted Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs	Total
<b>Assets (\$)</b>				
Investments in Securities:				
Municipal Bonds	-	307,120,104		- 307,120,104

For the period ended June 30, 2012, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

Portfolio valuation: The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These inputs are summarized in the three broad levels listed below:

Level 1—unadjusted quoted prices in active markets for identical investments.

Level 2—other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

Level 3—significant unobservable inputs (including the fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily



an indication of the risk associated with investing in those securities. Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. Valuation techniques used to value the fund's investments are as follows:

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Investments in securities are valued each business day by an independent pricing service (the Service ) approved by the Board of Directors. Investments for which quoted bid prices are readily available and are representative of the bid side of the market in the judgment of the Service are valued at the mean between the quoted bid prices (as obtained by the Service from dealers in such securities) and asked prices (as calculated by the Service based upon its evaluation of the market for such securities). Other investments (which constitute a majority of the portfolio securities) are carried at fair value as determined by the Service, based on methods which include consideration of the following: yields or prices of municipal securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. All preceding securities are categorized as Level 2 in the hierarchy.

When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the Board of Directors. Certain factors may be considered when fair valuing investments such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. These securities are either categorized as Level 2 or 3 depending on the relevant inputs used.

For restricted securities where observable inputs are limited, assumptions about market activity and risk are used and are categorized as Level 3 in the hierarchy.

Additional investment related disclosures are hereby incorporated by reference to the annual and semi-annual reports previously filed with the Securities and Exchange Commission on Form N-CSR.

**Item 2. Controls and Procedures.**

(a) The Registrant's principal executive and principal financial officers have concluded, based on their evaluation of the Registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report, that the Registrant's disclosure controls and procedures are reasonably designed to ensure that information required to be disclosed by the Registrant on Form N-Q is recorded, processed, summarized and reported within the required time periods and that information required to be disclosed by the Registrant in the reports that it files or submits on Form N-Q is accumulated and communicated to the Registrant's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) There were no changes to the Registrant's internal control over financial reporting that occurred during the Registrant's most recently ended fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

**Item 3. Exhibits.**

(a) Certifications of principal executive and principal financial officers as required by Rule 30a-2(a) under the Investment Company Act of 1940.

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**FORM N-Q**

**SIGNATURES**

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.

Dreyfus Municipal Income, Inc.

By: /s/Bradley J. Skapyak  
Bradley J. Skapyak

President

Date: August 20, 2012

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/ Bradley J. Skapyak  
Bradley J. Skapyak

President

Date: August 20, 2012

By: /s/ James Windels  
James Windels

Treasurer

Date: August 20, 2012

**EXHIBIT INDEX**

(a) Certifications of principal executive and principal financial officers as required by Rule 30a-2(a) under the Investment Company Act of 1940. (EX-99.CERT)