

DREYFUS MUNICIPAL INCOME INC
Form N-Q
August 27, 2010

**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)

Michael A. Rosenberg, 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: 06/30/2010

FORM N-Q

Item 1. Schedule of Investments.

STATEMENT OF INVESTMENTS**Dreyfus Municipal Income, Inc.****June 30, 2010 (Unaudited)**

| Long-Term Municipal Investments--149.8% | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|----------------------------|--------------------------|----------------------------------|-------------------|
| Arizona--9.1% | | | | |
| Barclays Capital Municipal Trust Receipts (Salt River Project Agricultural Improvement and Power District, Salt River Project Electric System Revenue) | 5.00 | 1/1/38 | 10,000,000 a,b | 10,441,600 |
| City of Phoenix, County of Maricopa and the County of Pima Industrial Development Authorities, SFMR (Collateralized: FHLMC, FNMA and GNMA) | 5.80 | 12/1/39 | 1,930,000 | 2,000,001 |
| Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue | 6.25 | 7/1/28 | 1,000,000 | 1,057,790 |
| Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue | 7.00 | 7/1/28 | 2,000,000 | 2,165,760 |
| Pima County Industrial Development Authority, Education Revenue (American Charter Schools Foundation Project) | 5.63 | 7/1/38 | 2,000,000 | 1,775,660 |
| California--27.7% | | | | |
| ABAG Financial Authority for Nonprofit Corporations, Insured Revenue, COP (Odd Fellows Home of California) | 6.00 | 8/15/24 | 5,000,000 c | 5,121,450 |
| Barclays Capital Municipal Trust Receipts (California Infrastructure and Economic Development Bank, Revenue | | | | |

Edgar Filing: DREYFUS MUNICIPAL INCOME INC - Form N-Q

| | | | | |
|--|------|---------|------------------|------------|
| (Sanford Consortium Project) | 5.00 | 5/15/40 | 10,000,000 a,b,c | 10,282,150 |
| <hr/> | | | | |
| California, GO (Various Purpose) | 5.75 | 4/1/31 | 3,950,000 | 4,198,731 |
| California, GO (Various Purpose) | 5.00 | 11/1/32 | 1,500,000 | 1,466,340 |
| California, GO (Various Purpose) | 6.50 | 4/1/33 | 3,000,000 | 3,360,720 |
| California, GO (Various Purpose) | 6.00 | 11/1/35 | 2,500,000 | 2,667,200 |
| California Health Facilities Financing Authority, Revenue (Sutter Health) | 6.25 | 8/15/35 | 2,500,000 c | 2,526,500 |
| Chabot-Las Positas Community College District, GO (Insured; AMBAC) | 0.00 | 8/1/32 | 6,000,000 d | 1,488,600 |
| Chula Vista, IDR (San Diego Gas and Electric Company) | 5.88 | 2/15/34 | 2,000,000 | 2,209,400 |
| Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds | 4.50 | 6/1/27 | 4,975,000 | 4,254,719 |
| Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds | 5.00 | 6/1/33 | 2,500,000 | 1,907,550 |
| Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds | 5.75 | 6/1/47 | 3,500,000 | 2,517,550 |
| Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds (Prerefunded) | 7.80 | 6/1/13 | 3,000,000 e | 3,568,530 |
| Sacramento County, Airport System Subordinate and Passenger Facility Charges | | | | |

Edgar Filing: DREYFUS MUNICIPAL INCOME INC - Form N-Q

| | | | | |
|---|------|----------|-------------|-----------|
| Grant Revenue | 6.00 | 7/1/35 | 2,250,000 | 2,444,783 |
| San Diego Public Facilities Financing Authority, Senior | | | | |
| <hr/> | | | | |
| Sewer Revenue | 5.25 | 5/15/34 | 1,000,000 | 1,063,360 |
| San Francisco City and County Public Utilities Commission, | | | | |
| San Francisco Water Revenue | 5.00 | 11/1/29 | 2,210,000 | 2,376,192 |
| Tuolumne Wind Project Authority, Revenue (Tuolumne Company Project) | | | | |
| | 5.88 | 1/1/29 | 1,500,000 | 1,636,635 |
| Colorado--4.7% | | | | |
| Colorado Educational and Cultural Facilities Authority, Charter School Revenue (American Academy Project) | | | | |
| | 8.00 | 12/1/40 | 1,500,000 | 1,782,375 |
| Colorado Health Facilities Authority, Health Facilities Revenue (The Evangelical Lutheran Good Samaritan Society Project) | | | | |
| | 6.13 | 6/1/38 | 2,525,000 c | 2,575,374 |
| Colorado Springs, HR | | | | |
| | 6.38 | 12/15/30 | 2,890,000 c | 2,933,119 |
| University of Colorado Regents, University Enterprise Revenue | | | | |
| | 5.38 | 6/1/38 | 1,500,000 | 1,608,600 |
| District of Columbia--.3% | | | | |
| District of Columbia, Revenue (Catholic University America Project) (Insured; AMBAC) | | | | |
| | 5.63 | 10/1/29 | 475,000 | 479,959 |
| Florida--4.6% | | | | |
| Greater Orlando Aviation Authority, Airport Facilities Revenue | | | | |
| | 6.25 | 10/1/20 | 3,980,000 | 4,544,802 |
| Orange County School Board, COP (Master Lease Purchase Agreement) (Insured; Assured Guaranty Municipal Corp.) | | | | |
| | 5.50 | 8/1/34 | 2,000,000 | 2,133,900 |
| South Lake County Hospital | | | | |

Edgar Filing: DREYFUS MUNICIPAL INCOME INC - Form N-Q

| | | | | |
|--|------|---------|-------------|-----------|
| District, Revenue (South Lake Hospital, Inc.) | 5.80 | 10/1/34 | 1,095,000 c | 1,106,957 |
| South Lake County Hospital District, Revenue (South Lake Hospital, Inc.) | 6.25 | 4/1/39 | 1,000,000 c | 1,029,610 |

Georgia--2.7%

| | | | | |
|--|------|---------|-----------|-----------|
| Atlanta, Water and Wastewater Revenue | 6.00 | 11/1/28 | 3,000,000 | 3,239,970 |
| Atlanta, Water and Wastewater Revenue (Insured; Assured Guaranty Municipal Corp.) | 5.25 | 11/1/34 | 1,750,000 | 1,819,265 |

Hawaii--1.1%

| | | | | |
|------------------------------------|------|--------|-----------|-----------|
| Hawaii, Airports System Revenue | 5.25 | 7/1/26 | 2,000,000 | 2,121,400 |
|------------------------------------|------|--------|-----------|-----------|

Illinois--1.1%

| | | | | |
|---|------|--------|-------------|-----------|
| Chicago, GO (Insured; National Public Finance Guarantee Corp.) (Prerefunded) | 6.13 | 7/1/10 | 315,000 e | 318,200 |
| Illinois Finance Authority, Revenue (Sherman Health Systems) | 5.50 | 8/1/37 | 2,000,000 c | 1,827,020 |

Louisiana--.6%

| | | | | |
|--|------|--------|-------------|-----------|
| Louisiana Public Facilities Authority, Revenue (CHRISTUS Health Obligated Group) | 6.13 | 7/1/29 | 1,000,000 c | 1,068,050 |
|--|------|--------|-------------|-----------|

Maryland--3.2%

| | | | | |
|---|------|--------|-----------|-----------|
| Maryland Economic Development Corporation, EDR (Transportation Facilities Project) | 5.75 | 6/1/35 | 1,000,000 | 1,021,170 |
| Maryland Economic Development Corporation, PCR (Potomac Electric Project) | 6.20 | 9/1/22 | 2,500,000 | 2,865,875 |
| Maryland Economic Development Corporation, Student Housing Revenue (University of | | | | |

Edgar Filing: DREYFUS MUNICIPAL INCOME INC - Form N-Q

| | | | | |
|---|------|----------|----------------|------------|
| Maryland, College Park Project) (Prerefunded) | 5.63 | 6/1/13 | 2,000,000 e | 2,278,640 |
| Massachusetts--18.9% | | | | |
| Barclays Capital Municipal Trust Receipts (Massachusetts Health and Educational Facilities Authority, Revenue (Harvard University Issue)) | 5.00 | 12/15/34 | 10,000,000 a,b | 10,817,800 |
| 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 | 10,571,100 |
| Massachusetts Development Finance Agency, SWDR (Dominion Energy Brayton Point Issue) | 5.00 | 2/1/36 | 3,000,000 | 2,779,680 |
| Massachusetts Health and Educational Facilities Authority, Healthcare System Revenue (Covenant Health Systems Obligated Group Issue) | 6.00 | 7/1/31 | 1,970,000 | 2,006,445 |
| Massachusetts Health and Educational Facilities Authority, Healthcare System Revenue (Covenant Health Systems Obligated Group Issue) (Prerefunded) | 6.00 | 1/1/12 | 530,000 e | 579,311 |
| Massachusetts Health and Educational Facilities Authority, Revenue (Suffolk University Issue) | 6.25 | 7/1/30 | 2,000,000 | 2,152,420 |
| Massachusetts Housing Finance Agency, Rental Housing Mortgage Revenue (Insured; AMBAC) | 5.50 | 7/1/40 | 2,230,000 | 1,883,369 |
| Massachusetts Industrial Finance Agency, Water Treatment | | | | |

Edgar Filing: DREYFUS MUNICIPAL INCOME INC - Form N-Q

| | | | | |
|---------------------------------|------|----------|-------------|-----------|
| Revenue | | | | |
| (Massachusetts-American | | | | |
| Hingham Project) | 6.95 | 12/1/35 | 5,235,000 | 5,235,105 |
| Michigan--7.0% | | | | |
| Detroit, | | | | |
| Sewage Disposal System Senior | | | | |
| Lien Revenue (Insured; Assured | | | | |
| Guaranty Municipal Corp.) | 7.50 | 7/1/33 | 2,140,000 | 2,575,747 |
| Michigan Hospital Finance | | | | |
| Authority, HR (Henry Ford | | | | |
| Health System) | 5.00 | 11/15/38 | 1,515,000 c | 1,339,533 |
| Michigan Strategic Fund, | | | | |
| SWDR (Genesee Power Station | | | | |
| Project) | 7.50 | 1/1/21 | 4,185,000 | 3,816,971 |
| Royal Oak Hospital Finance | | | | |
| Authority, HR (William | | | | |
| Beaumont Hospital Obligated | | | | |
| Group) | 8.00 | 9/1/29 | 2,500,000 c | 2,981,050 |
| Wayne County Airport Authority, | | | | |
| Airport Revenue (Detroit | | | | |
| Metropolitan Wayne County | | | | |
| Airport) (Insured; National | | | | |
| Public Finance Guarantee Corp.) | 5.00 | 12/1/34 | 3,000,000 | 2,600,640 |
| Minnesota--2.3% | | | | |
| Minneapolis, | | | | |
| Health Care System Revenue | | | | |
| (Fairview Health Services) | 6.75 | 11/15/32 | 3,000,000 c | 3,351,090 |
| Minnesota Agricultural and | | | | |
| Economic Development Board, | | | | |
| Health Care Facilities Revenue | | | | |
| (Essentia Health Obligated | | | | |
| Group) (Insured; Assured | | | | |
| Guaranty Municipal Corp.) | 5.00 | 2/15/37 | 1,000,000 | 1,019,630 |
| Minnesota Agricultural and | | | | |
| Economic Development Board, | | | | |
| Health Care System Revenue | | | | |
| (Fairview Health Care Systems) | 6.38 | 11/15/29 | 80,000 c | 81,014 |
| Mississippi--3.2% | | | | |

Edgar Filing: DREYFUS MUNICIPAL INCOME INC - Form N-Q

| | | | | |
|---|------|--------|-----------|-----------|
| Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project) | 5.88 | 4/1/22 | 6,000,000 | 6,015,600 |
|---|------|--------|-----------|-----------|

Missouri--0.0%

| | | | | |
|--|------|--------|--------|--------|
| Missouri Housing Development Commission, SFMR (Homeownership Loan Program) (Collateralized: FNMA and GNMA) | 6.30 | 9/1/25 | 85,000 | 86,737 |
|--|------|--------|--------|--------|

Nevada--2.1%

| | | | | |
|--|------|---------|-----------|-----------|
| Clark County, IDR (Southwest Gas Corporation Project) (Insured; AMBAC) | 6.10 | 12/1/38 | 4,000,000 | 4,020,760 |
|--|------|---------|-----------|-----------|

New Hampshire--1.1%

| | | | | |
|--|------|--------|-----------|-----------|
| New Hampshire Business Finance Authority, PCR (Public Service Company of New Hampshire Project) (Insured; AMBAC) | 6.00 | 5/1/21 | 2,135,000 | 2,158,079 |
|--|------|--------|-----------|-----------|

New Jersey--2.5%

| | | | | |
|---|------|---------|-----------|-----------|
| New Jersey Economic Development Authority, Water Facilities Revenue (New Jersey - American Water Company, Inc. Project) | 5.70 | 10/1/39 | 2,000,000 | 2,033,160 |
|---|------|---------|-----------|-----------|

| | | | | |
|--|------|--------|-----------|-----------|
| New Jersey Higher Education Student Assistance Authority, Student Loan Revenue (Insured; Assured Guaranty Municipal Corp.) | 6.13 | 6/1/30 | 2,500,000 | 2,645,100 |
|--|------|--------|-----------|-----------|

New Mexico--1.6%

| | | | | |
|---|------|--------|-----------|-----------|
| Farmington, PCR (Public Service Company of New Mexico San Juan Project) | 5.90 | 6/1/40 | 3,000,000 | 3,004,290 |
|---|------|--------|-----------|-----------|

New York--1.7%

| | | | | |
|---|------|--------|-----------|-----------|
| Long Island Power Authority, Electric System General Revenue | 5.00 | 9/1/27 | 1,500,000 | 1,533,840 |
| New York City Industrial Development Agency, PILOT Revenue (Yankee Stadium Project) (Insured; Assured | | | | |

Edgar Filing: DREYFUS MUNICIPAL INCOME INC - Form N-Q

| | | | | |
|---|------|---------|-----------------|-----------|
| Guaranty Municipal Corp.) | 7.00 | 3/1/49 | 1,435,000 | 1,665,016 |
| North Carolina--3.2% | | | | |
| 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,c | 5,149,675 |
| North Carolina Housing Finance Agency, Home Ownership Revenue | 6.25 | 1/1/29 | 865,000 | 865,882 |
| Ohio--2.1% | | | | |
| Ohio Air Quality Development Authority, Air Quality Revenue (Ohio Valley Electric Corporation Project) | 5.63 | 10/1/19 | 2,100,000 | 2,245,866 |
| <hr/> | | | | |
| Toledo-Lucas County Port Authority, Special Assessment Revenue (Crocker Park Public Improvement Project) | 5.38 | 12/1/35 | 2,000,000 | 1,732,940 |
| Pennsylvania--4.1% | | | | |
| Lancaster Higher Education Authority, College Revenue (Franklin and Marshall College Project) | 5.00 | 4/15/37 | 2,000,000 | 2,037,320 |
| Pennsylvania Economic Development Financing Authority, RRR (Northampton Generating Project) | 6.60 | 1/1/19 | 3,500,000 | 1,968,120 |
| Pennsylvania Turnpike Commission, Turnpike Subordinate Revenue | 5.25 | 6/1/39 | 2,000,000 | 2,089,700 |
| Sayre Health Care Facilities Authority, Revenue (Guthrie Health) | 5.88 | 12/1/31 | 1,755,000 c | 1,781,518 |
| Rhode Island--1.0% | | | | |
| Tobacco Settlement Financing Corporation of Rhode Island, Tobacco Settlement Asset-Backed Bonds | 6.13 | 6/1/32 | 2,000,000 | 1,944,700 |
| South Carolina--6.7% | | | | |

Edgar Filing: DREYFUS MUNICIPAL INCOME INC - Form N-Q

| | | | | |
|--|------|---------|---------------|-----------|
| 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 | 5,053,100 |
| South Carolina Public Service Authority, Revenue Obligations Tobacco Settlement Revenue Management Authority of South Carolina, Tobacco Settlement Asset-Backed Bonds | 5.50 | 1/1/38 | 3,000,000 | 3,264,150 |
| Tennessee--2.5% | | | | |
| Johnson City Health and Educational Facilities Board, Hospital First Mortgage Revenue (Mountain States Health Alliance) | 5.50 | 7/1/36 | 2,000,000 c | 1,925,120 |
| Metropolitan Government of Nashville and Davidson County Health and Educational Facilities Board, Revenue (The Vanderbilt University) | 5.50 | 10/1/29 | 2,500,000 | 2,829,825 |
| Texas--10.0% | | | | |
| Barclays Capital Municipal Trust Receipts (Texas A&M University System Board of Regents, Financing System Revenue) Cities of Dallas and Fort Worth, Dallas/Fort Worth International Airport, Joint Revenue Improvement (Insured; Assured Guaranty Municipal Corp.) | 5.00 | 5/15/39 | 5,000,000 a,b | 5,314,150 |
| La Vernia Higher Education Finance Corporation, Education Revenue (Knowledge is Power Program, Inc.) | 5.00 | 11/1/35 | 1,500,000 | 1,457,910 |
| Lubbock Educational Facilities | 6.25 | 8/15/39 | 2,250,000 | 2,338,538 |

Edgar Filing: DREYFUS MUNICIPAL INCOME INC - Form N-Q

| | | | | |
|---|------|---------|-------------|-----------|
| Authority, Improvement Revenue (Lubbock Christian University) | 5.25 | 11/1/37 | 1,500,000 | 1,428,855 |
| North Texas Tollway Authority, First Tier System Revenue (Insured; Assured Guaranty Municipal Corp.) | 5.75 | 1/1/40 | 4,000,000 | 4,302,200 |
| North Texas Tollway Authority, Second Tier System Revenue | 5.75 | 1/1/38 | 4,000,000 | 4,180,680 |
| Utah--0% | | | | |
| Utah Housing Finance Agency, SFMR (Collateralized; FHA) | 6.00 | 1/1/31 | 50,000 | 50,247 |
| Vermont--1.0% | | | | |
| Vermont Educational and Health Buildings Financing Agency, Revenue (Saint Michael's College Project) | 6.00 | 10/1/28 | 1,500,000 | 1,555,305 |
| Vermont Housing Finance Agency, SFHR (Insured; Assured | | | | |
| <hr/> | | | | |
| Guaranty Municipal Corp.) | 6.40 | 11/1/30 | 255,000 | 260,330 |
| Virginia--1.2% | | | | |
| Washington County Industrial Development Authority, HR (Mountain States Health Alliance) | 7.25 | 7/1/19 | 2,000,000 c | 2,302,200 |
| Washington--4.3% | | | | |
| Washington Health Care Facilities Authority, Mortgage Revenue (Highline Medical Center) (Collateralized; FHA) | 6.25 | 8/1/36 | 3,000,000 c | 3,242,610 |
| Washington Health Care Facilities Authority, Revenue (Catholic Health Initiatives) | 6.38 | 10/1/36 | 1,500,000 c | 1,653,915 |
| Washington Housing Finance Commission, Revenue (Single-Family Program) (Collateralized: FHLMC, FNMA and GNMA) | 5.15 | 6/1/37 | 3,160,000 | 3,213,594 |
| West Virginia--1.8% | | | | |

Edgar Filing: DREYFUS MUNICIPAL INCOME INC - Form N-Q

| | | | | |
|--|------|----------|-------------|-----------|
| The County Commission of Harrison County, SWDR (Allegheny Energy Supply Company, LLC Harrison Station Project) | 5.50 | 10/15/37 | 1,000,000 | 965,680 |
| The County Commission of Pleasants County, PCR (Allegheny Energy Supply Company, LLC Pleasants Station Project) | 5.25 | 10/15/37 | 2,500,000 | 2,457,075 |
| Wisconsin--4.1% | | | | |
| Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds (Prerefunded) | 7.00 | 6/1/12 | 2,500,000 e | 2,796,775 |
| Wisconsin Health and Educational Facilities Authority, Revenue (Aurora Health Care, Inc.) | 5.60 | 2/15/29 | 4,975,000 c | 4,940,523 |
| Wyoming--1.9% | | | | |
| Sweetwater County, SWDR (FMC Corporation Project) | 5.60 | 12/1/35 | 1,500,000 | 1,470,450 |
| <hr/> | | | | |
| Wyoming Municipal Power Agency, Power Supply System Revenue | 5.50 | 1/1/38 | 2,000,000 | 2,096,320 |
| U.S. Related--10.4% | | | | |
| Government of Guam, LOR (Section 30) | 5.75 | 12/1/34 | 1,500,000 | 1,538,295 |
| Puerto Rico Commonwealth, Public Improvement GO | 5.50 | 7/1/32 | 1,000,000 | 1,018,450 |
| Puerto Rico Commonwealth, Public Improvement GO | 6.00 | 7/1/39 | 1,500,000 | 1,587,615 |
| Puerto Rico Electric Power Authority, Power Revenue | 5.00 | 7/1/37 | 1,945,000 | 1,897,153 |
| Puerto Rico Electric Power Authority, Power Revenue | 5.50 | 7/1/38 | 5,400,000 | 5,515,560 |
| Puerto Rico Electric Power Authority, Power Revenue | 5.25 | 7/1/40 | 1,500,000 | 1,508,115 |
| Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series) | 5.38 | 8/1/39 | 1,000,000 | 1,004,040 |

Edgar Filing: DREYFUS MUNICIPAL INCOME INC - Form N-Q

Puerto Rico Sales Tax Financing

Corporation, Sales Tax Revenue

| | | | | |
|---|------|--------|----------------|---------------------|
| (First Subordinate Series) | 6.00 | 8/1/42 | 5,500,000 | 5,847,875 |
| Total Investments (cost \$275,999,066) | | | 149.8% | 285,545,870 |
| Liabilities, Less Cash and Receivables | | | (10.4%) | (19,871,902) |
| Preferred Stock, at redemption value | | | (39.4%) | (75,000,000) |
| Net Assets Applicable to Common Shareholders | | | 100.0% | 190,673,968 |

a Collateral for floating rate borrowings.

b Securities exempt from registration under 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, 2010, these securities had a total market value of \$52,576,475 or 27.6% of net assets applicable to Common Shareholders.

c At June 30, 2010, the fund had \$57,218,478 or 30.0% of net assets applicable to common shareholders invested in securities whose payment of principal interest is dependent upon revenues generated from health care.

d Security issued with a zero coupon. Income is recognized through the accretion of discount.

e 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.

At June 30, 2010, the aggregate cost of investment securities for income tax purposes was \$275,999,066. Net unrealized appreciation on investments was \$9,546,804 of which \$13,843,358 related to appreciated investment securities and \$4,296,554 related to depreciated investment securities.

Summary of Abbreviations

| | | | |
|--------------|---|-------------|---------------------------------------|
| ABAG | Association of Bay Area Governments | ACA | American Capital Access |
| AGC | ACE Guaranty Corporation | AGIC | Asset Guaranty Insurance Company |
| AMBAC | American Municipal Bond Assurance Corporation | ARRN | Adjustable Rate Receipt Notes |
| BAN | Bond Anticipation Notes | BPA | Bond Purchase Agreement |
| CIFG | CDC Ixis Financial Guaranty | COP | Certificate of Participation |
| CP | Commercial Paper | EDR | Economic Development Revenue |
| EIR | Environmental Improvement Revenue | FGIC | Financial Guaranty Insurance Company |
| FHA | Federal Housing Administration | FHLB | Federal Home Loan Bank |
| FHLMC | Federal Home Loan Mortgage Corporation | FNMA | Federal National Mortgage Association |
| GAN | Grant Anticipation Notes | GIC | Guaranteed Investment Contract |
| GNMA | Government National Mortgage Association | GO | General Obligation |
| HR | Hospital Revenue | IDB | Industrial Development Board |
| IDC | Industrial Development Corporation | IDR | Industrial Development Revenue |
| LOC | Letter of Credit | LOR | Limited Obligation Revenue |
| LR | Lease Revenue | MFHR | Multi-Family Housing Revenue |
| MFMR | Multi-Family Mortgage Revenue | PCR | Pollution Control Revenue |

Edgar Filing: DREYFUS MUNICIPAL INCOME INC - Form N-Q

| | | | |
|---------------|------------------------------------|----------------|---------------------------------|
| PILOT | Payment in Lieu of Taxes | PUTTERS | Puttable Tax-Exempt Receipts |
| RAC | Revenue Anticipation Certificates | RAN | Revenue Anticipation Notes |
| RAW | Revenue Anticipation Warrants | RRR | Resources Recovery Revenue |
| SAAN | State Aid Anticipation Notes | SBPA | Standby Bond Purchase Agreement |
| SFHR | Single Family Housing Revenue | SFMR | Single Family Mortgage Revenue |
| SONYMA | State of New York Mortgage Agency | SWDR | Solid Waste Disposal Revenue |
| TAN | Tax Anticipation Notes | TAW | Tax Anticipation Warrants |
| TRAN | Tax and Revenue Anticipation Notes | XLCA | XL Capital Assurance |

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.

The following is a summary of the inputs used as of June 30, 2010 in valuing the fund's investments:

| Assets (\$) | Level 1 - Unadjusted | Level 2 - Other Significant | Level 3 -Significant Unobservable | Total |
|----------------------------|-----------------------------|--|--|--------------------|
| | Quoted Prices | Observable Inputs | Inputs | |
| Investments in Securities: | | | | |
| Municipal Bonds | - | 285,545,870 | - | 285,545,870 |

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: Investments in municipal debt securities are valued on the last business day of each week and month 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: yields or prices of municipal securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. Options and financial futures on municipal and U.S. Treasury securities are valued at the last sales price on the securities exchange

on which such securities are primarily traded or at the last sales price on the national securities market on the last business day of each week and month.

The fund adopted the provisions of ASC Topic 815 Derivatives and Hedging which requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The fund held no derivatives during the period ended June 30, 2010. These disclosures did not impact the notes to the financial statements.

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.

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 23, 2010

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 23, 2010

By: /s/ James Windels
James Windels

Treasurer

Date: August 23, 2010

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)

