

DREYFUS MUNICIPAL INCOME INC
Form N-Q
August 17, 2006

**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 811-05652

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)

Mark N. Jacobs, 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: 9/30

Date of reporting period: 6/30/06

FORM N-Q

Item 1. Schedule of Investments.

STATEMENT OF INVESTMENTS

Dreyfus Municipal Income, Inc.

June 30, 2006 (Unaudited)

| Long-Term Municipal Investments--146.1% | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|----------------------------|--------------------------|----------------------------------|-------------------|
| Alabama--8.8% | | | | |

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| | | | | |
|---|------|----------|-------------|-----------|
| Jefferson County, Limited Obligation School Warrants | 5.50 | 1/1/21 | 4,000,000 | 4,235,360 |
| Jefferson County, Sewer Revenue, Capital Improvement (Insured; FGIC) | 5.75 | 2/1/09 | 7,500,000 a | 7,913,775 |
| The Board of Trustees of the University of Alabama, HR (University of Alabama at Birmingham) (Insured; MBIA) | 5.88 | 9/1/31 | 4,620,000 | 4,962,712 |
| Alaska--3.6% | | | | |
| Alaska Housing Finance Corp., General Mortgage Revenue (Insured; MBIA) | 6.05 | 6/1/39 | 6,845,000 | 7,014,893 |
| Arkansas--1.6% | | | | |
| Independence County, PCR (Entergy Arkansas Inc. Project) | 5.00 | 1/1/21 | 3,000,000 | 3,042,330 |
| California--12.3% | | | | |
| ABAG Financial Authority for Nonprofit Corps., Insured Revenue, COP (Odd Fellows Home of California) | 6.00 | 8/15/24 | 5,000,000 | 5,131,700 |
| California Department of Veteran Affairs, Home Purchase Revenue | 5.20 | 12/1/28 | 5,000,000 | 5,001,350 |
| California Educational Facilities Authority, Revenue (Mills College) | 5.00 | 9/1/34 | 2,000,000 | 1,976,620 |
| California Health Facilities Financing Authority, Revenue (Sutter Health) | 6.25 | 8/15/35 | 2,500,000 | 2,734,550 |
| California Statewide Communities Development Authority, COP (Catholic Healthcare West) | 6.50 | 7/1/10 | 3,545,000 a | 3,910,454 |
| California Statewide Communities Development Authority, COP (Catholic Healthcare West) | 6.50 | 7/1/20 | 1,455,000 | 1,577,133 |
| Golden State Tobacco Securitization Corp., Tobacco Settlement Asset-Backed Bonds | 7.80 | 6/1/42 | 3,000,000 | 3,574,050 |
| Colorado--7.5% | | | | |
| Colorado Springs, HR | 6.38 | 12/15/10 | 2,835,000 a | 3,121,023 |
| Colorado Springs, HR | 6.38 | 12/15/30 | 2,890,000 | 3,100,681 |
| Denver City and County, Special Facilities Airport Revenue (United Airlines | | | | |

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|---|------|----------|---------------|-----------|
| Project) University of Northern Colorado | 6.88 | 10/1/32 | 2,480,000 b | 2,538,900 |
| <hr/> | | | | |
| Board of Trustees, Auxiliary Facilities System Revenue (Insured; FSA) | 5.79 | 6/1/35 | 5,500,000 c,d | 5,725,665 |
| District of Columbia--1.6% | | | | |
| District of Columbia Revenue (Catholic University America Project) (Insured; AMBAC) | 5.63 | 10/1/29 | 2,080,000 | 2,189,866 |
| District of Columbia Housing Finance Agency, SFMR (Collateralized; FHA, FNMA, GNMA and GIC; Trinity Funding) | 7.45 | 12/1/30 | 895,000 | 907,467 |
| Florida--1.4% | | | | |
| Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System) | 6.00 | 10/1/09 | 30,000 a | 32,051 |
| Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System) | 6.00 | 10/1/26 | 1,470,000 | 1,540,663 |
| South Lake County Hospital District, Revenue (South Lake Hospital Inc.) | 5.80 | 10/1/34 | 1,095,000 | 1,127,073 |
| Georgia--.5% | | | | |
| Milledgeville and Baldwin County Development Authority, Revenue (Georgia College and State University Foundation Property III, LLC Student Housing System Project) | 5.25 | 9/1/19 | 1,000,000 | 1,015,050 |
| Illinois--10.6% | | | | |
| Chicago (Insured; FGIC) | 6.13 | 7/1/10 | 3,685,000 a | 4,014,144 |
| Chicago (Insured; FGIC) | 6.13 | 7/1/10 | 315,000 a | 343,136 |
| Illinois Development Finance Authority, Revenue (Community Rehabilitation Providers Facilities Acquisition Program) | 8.75 | 3/1/10 | 65,000 | 65,229 |
| Illinois Health Facilities Authority, Revenue (Advocate Health Care Network) | 6.13 | 11/15/10 | 5,800,000 a | 6,292,304 |
| Illinois Health Facilities Authority, Revenue (OSF Healthcare System) | 6.25 | 11/15/09 | 7,000,000 a | 7,567,350 |

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|--|------|---------|-------------|-----------|
| Illinois Health Facilities Authority, Revenue (Swedish American Hospital) | 6.88 | 5/15/10 | 2,000,000 a | 2,202,160 |
| Indiana--1.4% | | | | |
| Franklin Township School Building Corp., First Mortgage | 6.13 | 7/15/10 | 2,500,000 a | 2,746,200 |
| Kansas--1.3% | | | | |
| Unified Government of Wyandotte County/Kansas City, Tax-Exempt Sales Tax Special Tax Obligation Revenue (Redevelopment Project Area B) | 5.00 | 12/1/20 | 2,500,000 | 2,542,175 |
| Maryland--5.0% | | | | |
| Maryland Economic Development Corp., Student Housing Revenue | | | | |
| <hr/> | | | | |
| (University of Maryland, College Park Project) | 5.63 | 6/1/13 | 2,000,000 a | 2,173,020 |
| Maryland Health and Higher Educational Facilities Authority, Revenue (The John Hopkins University Issue) | 6.00 | 7/1/09 | 7,000,000 a | 7,482,300 |
| Massachusetts--7.9% | | | | |
| Massachusetts Bay Transportation Authority, Assessment | 5.00 | 7/1/14 | 5,000,000 a | 5,313,150 |
| Massachusetts Development Finance Agency, SWDR (Dominion Energy Brayton Point Issue) | 5.00 | 2/1/36 | 2,000,000 | 1,974,040 |
| Massachusetts Health and Educational Facilities Authority, Healthcare System Revenue (Covenant Health) | 6.00 | 7/1/31 | 2,500,000 | 2,653,500 |
| Massachusetts Industrial Finance Agency, Water Treatment Revenue (Massachusetts-American Hingham Project) | 6.95 | 12/1/35 | 5,235,000 | 5,310,593 |
| Michigan--3.6% | | | | |
| Hancock Hospital Finance Authority, Mortgage Revenue (Portgagge Health) (Insured; MBIA) | 5.45 | 8/1/47 | 2,200,000 | 2,252,976 |
| Michigan Strategic Fund, SWDR (Genesee Power Station Project) | 7.50 | 1/1/21 | 4,785,000 | 4,741,313 |
| Minnesota--1.4% | | | | |
| Minnesota Agricultural and | | | | |

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|---|------|----------|-------------|-----------|
| Economic Development Board, Health Care System Revenue (Fairview Health Care Systems) | 6.38 | 11/15/10 | 2,420,000 a | 2,664,710 |
| Minnesota Agricultural and Economic Development Board, Health Care System Revenue (Fairview Health Care Systems) | 6.38 | 11/15/29 | 80,000 | 85,417 |
| Mississippi--3.1% | | | | |
| Mississippi Business Finance Corp., PCR (System Energy Resource Inc. Project) | 5.88 | 4/1/22 | 6,000,000 | 6,028,140 |
| Missouri--4.1% | | | | |
| Missouri Development Finance Board, Infrastructure Facilities Revenue (Branson Landing Project) | 5.00 | 6/1/35 | 2,500,000 | 2,453,025 |
| Missouri Health and Educational Facilities Authority, Health Facilities Revenue (BJC Health System) | 5.25 | 5/15/32 | 2,500,000 | 2,573,625 |
| Missouri Health and Educational Facilities Authority, Health Facilities Revenue (Saint Anthony's Medical Center) | 6.25 | 12/1/10 | 2,500,000 a | 2,742,200 |
| Missouri Housing Development Commission, SFMR (Homeownership Loan Program) (Collateralized: FNMA and GNMA) | 6.30 | 9/1/25 | 195,000 | 195,716 |
| <hr/> | | | | |
| Nevada--2.2% | | | | |
| Clark County, IDR (Southwest Gas Corp.) (Insured; AMBAC) | 6.10 | 12/1/38 | 4,000,000 | 4,309,640 |
| New Jersey--.9% | | | | |
| New Jersey Economic Development Authority, Cigarette Tax Revenue | 5.50 | 6/15/31 | 1,610,000 | 1,659,717 |
| New Mexico--2.5% | | | | |
| Farmington, PCR (Public Service Co. San Juan) | 6.30 | 12/1/16 | 3,000,000 | 3,083,010 |
| New Mexico Mortgage Finance Authority, Single Family Mortgage Program (Collateralized: FHLMC and GNMA) | 6.85 | 9/1/31 | 1,790,000 | 1,815,185 |
| New York--2.3% | | | | |

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|--|------|---------|-------------|-----------|
| Long Island Power Authority, Electric System Revenue | 5.00 | 9/1/27 | 1,500,000 | 1,514,745 |
| New York State Dormitory Authority, Catholic Health Services of Long Island Obligated Group Revenue (Saint Francis Hospital Project) | 5.00 | 7/1/27 | 2,930,000 | 2,924,316 |
| North Carolina--3.3% | | | | |
| Gaston County Industrial Facilities and Pollution Control Financing Authority, Exempt Facilities Revenue (National Gypsum Co. Project) | 5.75 | 8/1/35 | 1,500,000 | 1,563,750 |
| North Carolina Eastern Municipal Power Agency, Power System Revenue | 5.13 | 1/1/26 | 3,000,000 | 3,051,390 |
| North Carolina Housing Finance Agency (Home Ownership) | 6.25 | 1/1/29 | 1,705,000 | 1,753,933 |
| Ohio--4.8% | | | | |
| Cuyahoga County, Hospital Improvement Revenue (The Metrohealth System Project) | 6.13 | 2/15/09 | 5,000,000 a | 5,318,650 |
| Ohio Housing Finance Agency, Residential Mortgage Revenue (Collateralized; GNMA) | 5.75 | 9/1/30 | 180,000 | 180,495 |
| Rickenbacker Port Authority, Capital Funding Revenue (OASBO Expanded Asset Pooled) | 5.38 | 1/1/32 | 3,590,000 | 3,732,595 |
| Oklahoma--1.4% | | | | |
| Oklahoma Development Finance Authority, Revenue (Saint John Health System) | 6.00 | 2/15/29 | 2,500,000 | 2,629,525 |
| Pennsylvania--7.8% | | | | |
| Delaware County Industrial Development Authority, Water Facilities Revenue (Aqua Pennsylvania, Inc. Project) (Insured; FGIC) | 5.00 | 11/1/38 | 3,375,000 | 3,398,558 |
| Pennsylvania Economic Development Financing Authority, RRR | | | | |
| (Northampton Generating Project) | 6.60 | 1/1/19 | 3,500,000 | 3,535,875 |
| Sayre Health Care Facilities Authority, Revenue (Guthrie Health) | 5.88 | 12/1/31 | 7,750,000 | 8,210,582 |

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South Carolina--9.5%

| | | | | |
|---|------|---------|-------------|-----------|
| 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 | 5,003,550 |
| Medical University of South Carolina, Hospital Facilities Revenue | 6.00 | 7/1/09 | 2,500,000 a | 2,667,850 |
| Piedmont Municipal Power Agency, Electric Revenue | 5.25 | 1/1/21 | 3,500,000 | 3,508,330 |
| Tobacco Settlement Revenue Management Authority, Tobacco Settlement Asset-Backed Bonds | 6.38 | 5/15/28 | 2,900,000 | 3,095,170 |
| Tobacco Settlement Revenue Management Authority, Tobacco Settlement Asset-Backed Bonds | 6.38 | 5/15/30 | 3,750,000 | 4,137,750 |

Texas--13.5%

| | | | | |
|--|------|---------|-------------|-----------|
| Cities of Dallas and Fort Worth, Dallas/Fort Worth International Airport, Joint Revenue Improvement (Insured; FSA) | 5.00 | 11/1/35 | 2,500,000 | 2,500,200 |
| Gregg County Health Facilities Development Corp., HR (Good Shephard Medical Center Project) (Insured; Radian) | 6.38 | 10/1/25 | 2,500,000 | 2,717,775 |
| Harris County Health Facilities Development Corp., HR (Memorial Hermann Healthcare System) | 6.38 | 6/1/11 | 3,565,000 a | 3,964,708 |
| Industrial Development Corp. of Port of Corpus Christi, Revenue (Valero Refining and Marketing Co. Project) | 5.40 | 4/1/18 | 2,350,000 | 2,419,983 |
| Port of Corpus Christi Authority of Nueces County, Revenue (Union Pacific Corp. Project) | 5.65 | 12/1/22 | 4,500,000 | 4,708,800 |
| Sabine River Authority, PCR (TXU Energy Co. LLC Project) | 6.15 | 8/1/22 | 2,500,000 | 2,693,325 |
| Texas (Veterans Housing Assistance Program) (Collateralized; FHA) | 6.10 | 6/1/31 | 7,000,000 | 7,299,880 |

Utah--1.7%

Carbon County, Solid Waste Disposal Facility Revenue (Sunnyside

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| | | | | |
|---|------|---------|---------------|-----------|
| Cogeneration Associates Project) | 7.10 | 8/15/23 | 2,765,000 | 2,915,499 |
| Utah Housing Finance Agency, Single Family Mortgage (Collateralized; FHA) | 6.00 | 1/1/31 | 290,000 | 294,773 |
| Vermont--1.1% | | | | |
| <hr/> | | | | |
| Vermont Educational and Health Buildings Financing Agency, Revenue (Saint Michael's College Project) | 6.00 | 10/1/28 | 1,500,000 | 1,645,290 |
| Vermont Housing Finance Agency, Single Family Housing (Insured; FSA) | 6.40 | 11/1/30 | 565,000 | 574,153 |
| Washington--2.7% | | | | |
| Washington Higher Educational Facilities Authority, Revenue (Whitman College) | 5.88 | 10/1/09 | 5,000,000 a | 5,300,150 |
| West Virginia--3.9% | | | | |
| Braxton County, SWDR (Weyerhaeuser Co. Project) | 5.80 | 6/1/27 | 7,450,000 | 7,603,693 |
| Wisconsin--5.1% | | | | |
| Badger Tobacco Asset Securitization Corp., Tobacco Settlement Asset-Backed Bonds | 7.00 | 6/1/28 | 2,500,000 | 2,778,325 |
| Wisconsin Health and Educational Facilities Authority, Revenue (Aurora Health Care, Inc.) | 5.60 | 2/15/29 | 4,975,000 | 5,117,683 |
| Wisconsin Health and Educational Facilities Authority, Revenue (Marshfield Clinic) | 5.38 | 2/15/34 | 2,000,000 | 2,050,320 |
| Wyoming--.8% | | | | |
| Sweetwater County, SWDR (FMC Corp. Project) | 5.60 | 12/1/35 | 1,500,000 | 1,559,235 |
| U.S. Related--6.9% | | | | |
| Puerto Rico Highway and Transportation Authority, Transportation Revenue (Insured; MBIA) | 5.87 | 7/1/38 | 4,000,000 c,d | 4,091,000 |
| Puerto Rico Highway and Transportation Authority, Transportation Revenue (Insured; MBIA) | 5.87 | 7/1/38 | 5,000,000 c,d | 5,113,750 |
| Puerto Rico Infrastructure Financing Authority, Special Tax Revenue (Insured; AMBAC) | 5.72 | 7/1/15 | 4,000,000 c,d | 4,218,680 |
| Total Long-Term Municipal Investments | | | | |

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| (cost \$268,979,831) | | | | 283,451,627 |
|--|------------------------|----------------------|------------------------------|----------------------|
| Short-Term Municipal Investments--3.2% | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
| Indiana--1.0% | | | | |
| Mount Vernon, Pollution Control and Solid Waste Disposal Revenue, Refunding (General Electric Company Project) | 3.93 | 7/1/06 | 1,900,000 e | 1,900,000 |
| Louisiana--2.0% | | | | |
| New Orleans, Sewerage Service, BAN | 2.97 | 7/26/06 | 4,000,000 | 3,991,240 |
| New York--.1% | | | | |
| New York City Transitional Finance Authority (Future Tax Secured) (Liquidity Facility; Bayerische Landesbank) | 3.95 | 7/1/06 | 150,000 e | 150,000 |
| Texas--.1% | | | | |
| Lower Neches Valley Authority | | | | |
| <hr/> | | | | |
| Industrial Development Corporation, Exempt Facilities Revenue, Refunding (ExxonMobil Project) | 3.88 | 7/1/06 | 100,000 e | 100,000 |
| Total Short-Term Municipal Investments (cost \$6,104,000) | | | | 6,141,240 |
| Total Investments (cost \$275,083,831) | | | 149.3% | 289,592,867 |
| Cash And Receivables (Net) | | | 2.2% | 4,348,195 |
| Preferred Stock, at redemption value | | | (51.5%) | (100,000,000) |
| Net Assets Applicable to Common Shareholders | | | 100.0% | 193,941,062 |

- a 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.
- b Non-income producing security; interest payments in default.
- c Inverse floater security--the interest rate is subject to change periodically.
- d 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, 2006, these securities amounted to \$19,149,095 or 9.9% of net assets applicable to common shareholders.
- e Securities payable on demand. Variable interest rate--subject to periodic change.
- f At June 30, 2006, the fund had \$51,455,459 or 26.5% of net assets applicable to common shareholders invested in securities whose payment of principal and interest is dependent upon revenues generated from health care projects.

Securities valuation policies and other 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.

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Summary of Abbreviations

| | | | |
|-------------|--|--------------|---|
| 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 |
| BIGI | Bond Investors Guaranty Insurance | BPA | Bond Purchase Agreement |
| CGIC | Capital Guaranty Insurance Company | CIC | Continental Insurance Company |
| CIFG | CDC Ixis Financial Guaranty | CMAC | Capital Market Assurance Corporation |
| 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 | FSA | Financial Security Assurance |
| 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 | MBIA | Municipal Bond Investors Assurance Insurance Corporation |
| MFHR | Multi-Family Housing Revenue | MFMR | Multi-Family Mortgage Revenue |
| PCR | Pollution Control Revenue | 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 | | |

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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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/ Stephen E. Canter
Stephen E. Canter
President

Date: August 17, 2006

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/ Stephen E. Canter
Stephen E. Canter
Chief Executive Officer

Date: August 17, 2006

By: /s/ James Windels
James Windels
Chief Financial Officer

Date: August 17, 2006

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)

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