

DREYFUS MUNICIPAL INCOME INC  
Form N-Q  
August 24, 2009

**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: 9/30  
Date of reporting period: 6/30/2009

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**FORM N-Q**

**Item 1. Schedule of Investments.**

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**STATEMENT OF INVESTMENTS**

**Dreyfus Municipal Income, Inc.**

**June 30, 2009 (Unaudited)**

| <b>Long-Term Municipal<br/>Investments--155.9%</b> | <b>Coupon<br/>Rate (%)</b> | <b>Maturity<br/>Date</b> | <b>Principal<br/>Amount (\$)</b> | <b>Value (\$)</b> |
|--|----------------------------|--------------------------|----------------------------------|-------------------|
|--|----------------------------|--------------------------|----------------------------------|-------------------|

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**Alabama--2.8%**

|  |      |        |             |           |
|--|------|--------|-------------|-----------|
| The Board of Trustees of the<br>University of Alabama, HR<br>(University of Alabama at<br>Birmingham) (Insured; National<br>Public Finance Guarantee<br>Corp.) (Prerefunded) | 5.88 | 9/1/10 | 4,620,000 a | 4,943,631 |
|--|------|--------|-------------|-----------|

**Alaska--1.3%**

|  |      |        |           |           |
|--|------|--------|-----------|-----------|
| Alaska Housing Finance<br>Corporation, General Mortgage<br>Revenue (Insured; National<br>Public Finance Guarantee Corp.) | 6.05 | 6/1/39 | 2,280,000 | 2,280,958 |
|--|------|--------|-----------|-----------|

**Arizona--4.8%**

|   |      |         |           |           |
|---|------|---------|-----------|-----------|
| City of Phoenix, County of<br>Maricopa and the County of<br>Pima Industrial Development<br>Authorities, SFMR<br>(Collateralized: FHLMC, FNMA<br>and GNMA) | 5.80 | 12/1/39 | 3,770,000 | 3,821,988 |
| Glendale Western Loop 101 Public<br>Facilities Corporation, Third<br>Lien Excise Tax Revenue  | 6.25 | 7/1/28  | 1,000,000 | 1,040,860 |
| Glendale Western Loop 101 Public<br>Facilities Corporation, Third<br>Lien Excise Tax Revenue  | 7.00 | 7/1/28  | 2,000,000 | 2,145,360 |
| Pima County Industrial Development<br>Authority, Education Revenue<br>(American Charter Schools<br>Foundation Project)                                    | 5.63 | 7/1/38  | 2,000,000 | 1,428,820 |

**California--21.1%**

|  |      |         |           |           |
|--|------|---------|-----------|-----------|
| ABAG Financial Authority for<br>Nonprofit Corporations,<br>Insured Revenue, COP (Odd |      |         |           |           |
| Fellows Home of California)  | 6.00 | 8/15/24 | 5,000,000 | 4,999,600 |
| California,<br>GO (Various Purpose)  | 5.75 | 4/1/31  | 3,950,000 | 3,825,812 |
| California,<br>GO (Various Purpose)  | 5.00 | 11/1/32 | 1,500,000 | 1,300,965 |
| California,  |      |         |           |           |

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|  |      |         |             |           |
|--|------|---------|-------------|-----------|
| GO (Various Purpose)   | 6.50 | 4/1/33  | 3,000,000   | 3,152,130 |
| California Health Facilities<br>Financing Authority, Revenue<br>(Sutter Health)                                  | 6.25 | 8/15/35 | 2,500,000   | 2,522,475 |
| California Statewide Communities<br>Development Authority, COP<br>(Catholic Healthcare West)<br>(Prerefunded)    | 6.50 | 7/1/10  | 3,545,000 a | 3,773,050 |
| California Statewide Communities<br>Development Authority, COP<br>(Catholic Healthcare West)<br>(Prerefunded)    | 6.50 | 7/1/10  | 1,455,000 a | 1,550,506 |
| Chabot-Las Positas Community<br>College District, GO (Insured;<br>AMBAC)   | 0.00 | 8/1/32  | 6,000,000 b | 1,339,440 |
| Chula Vista,<br>IDR (San Diego Gas and<br>Electric Company)  | 5.88 | 2/15/34 | 2,000,000   | 2,017,080 |
| Golden State Tobacco<br>Securitization Corporation,<br>Tobacco Settlement<br>Asset-Backed Bonds                  | 4.50 | 6/1/27  | 5,000,000   | 4,154,250 |
| Golden State Tobacco<br>Securitization Corporation,<br>Tobacco Settlement<br>Asset-Backed Bonds                  | 5.75 | 6/1/47  | 3,500,000   | 2,113,685 |
| Golden State Tobacco<br>Securitization Corporation,<br>Tobacco Settlement<br>Asset-Backed Bonds<br>(Prerefunded) | 7.80 | 6/1/13  | 3,000,000 a | 3,605,340 |
| San Diego Public Facilities<br>Financing Authority, Senior<br>Sewer Revenue                                      | 5.25 | 5/15/34 | 1,000,000   | 990,480   |
| <hr/>  |      |         |             |           |
| Tuolumne Wind Project Authority,<br>Revenue (Tuolumne Company<br>Project)  | 5.88 | 1/1/29  | 1,500,000 c | 1,525,650 |
| <b>Colorado--6.7%</b><br>Colorado Educational and Cultural   |      |         |             |           |

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|   |      |          |             |           |
|---|------|----------|-------------|-----------|
| Facilities Authority, Charter<br>School Revenue (American<br>Academy Project)   | 8.00 | 12/1/40  | 1,500,000   | 1,647,270 |
| Colorado Health Facilities<br>Authority, Health Facilities<br>Revenue (The Evangelical<br>Lutheran Good Samaritan<br>Society Project) | 6.13 | 6/1/38   | 2,525,000   | 2,502,881 |
| Colorado Springs,<br>HR   | 6.38 | 12/15/30 | 2,890,000   | 2,907,138 |
| Colorado Springs,<br>HR (Prerefunded)   | 6.38 | 12/15/10 | 2,835,000 a | 3,094,459 |
| University of Colorado Regents,<br>University Enterprise Revenue  | 5.38 | 6/1/38   | 1,500,000   | 1,538,790 |
| <b>District of Columbia--1.5%</b>   |      |          |             |           |
| District of Columbia,<br>Revenue (Catholic University<br>America Project) (Insured;<br>AMBAC)   | 5.63 | 10/1/29  | 475,000     | 480,310   |
| District of Columbia,<br>Revenue (Catholic University<br>America Project) (Insured;<br>AMBAC) (Prerefunded)                           | 5.63 | 10/1/09  | 1,605,000 a | 1,641,161 |
| District of Columbia Housing<br>Finance Agency, SFMR<br>(Collateralized: FHA, FNMA,<br>GNMA and GIC; Trinity Funding)                 | 7.45 | 12/1/30  | 485,000     | 491,717   |
| <b>Florida--4.9%</b>  |      |          |             |           |
| Greater Orlando Aviation<br>Authority, Airport Facilities<br>Revenue  | 6.25 | 10/1/20  | 3,980,000   | 4,154,682 |
| Orange County Health Facilities<br>Authority, HR (Orlando<br>Regional Healthcare System)  | 6.00 | 10/1/26  | 1,470,000   | 1,454,286 |
| Orange County Health Facilities<br><br>Authority, HR (Orlando<br>Regional Healthcare System)<br>(Prerefunded)                         | 6.00 | 10/1/09  | 30,000 a    | 30,719    |
| Orange County School Board,   |      |          |             |           |

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|   |      |          |             |           |
|---|------|----------|-------------|-----------|
| COP (Master Lease Purchase Agreement) (Insured; Assured Guaranty)   | 5.50 | 8/1/34   | 2,000,000   | 2,013,900 |
| South Lake County Hospital District, Revenue (South Lake Hospital, Inc.)  | 5.80 | 10/1/34  | 1,095,000   | 991,621   |
| <b>Georgia--1.7%</b>  |      |          |             |           |
| Atlanta, Water and Wastewater Revenue   | 6.00 | 11/1/28  | 3,000,000   | 2,999,700 |
| <b>Illinois--12.1%</b>  |      |          |             |           |
| Chicago, GO (Insured; FGIC) (Prerefunded)   | 6.13 | 7/1/10   | 3,685,000 a | 3,926,625 |
| Chicago, GO (Insured; National Public Finance Guarantee Corp.) (Prerefunded)  | 6.13 | 7/1/10   | 315,000 a   | 335,655   |
| Illinois Development Finance Authority, Revenue (Community Rehabilitation Providers Facilities Acquisition Program) | 8.75 | 3/1/10   | 30,000      | 30,000    |
| Illinois Finance Authority, Revenue (Sherman Health Systems)  | 5.50 | 8/1/37   | 2,000,000   | 1,479,760 |
| Illinois Health Facilities Authority, Revenue (Advocate Health Care Network) (Prerefunded)                          | 6.13 | 11/15/10 | 5,800,000 a | 6,236,102 |
| Illinois Health Facilities Authority, Revenue (OSF Healthcare System) (Prerefunded)                                 | 6.25 | 11/15/09 | 7,000,000 a | 7,220,570 |
| Illinois Health Facilities Authority, Revenue (Swedish American Hospital) (Prerefunded)                             | 6.88 | 5/15/10  | 1,995,000 a | 2,106,880 |

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**Indiana--1.5%**

Franklin Township School Building Corporation, First Mortgage

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|  |      |         |             |           |
|--|------|---------|-------------|-----------|
| Bonds (Prerefunded)  | 6.13 | 7/15/10 | 2,500,000 a | 2,696,750 |
| <b>Maryland--6.9%</b>  |      |         |             |           |
| Maryland Economic Development Corporation, PCR (Potomac Electric Project)  | 6.20 | 9/1/22  | 2,500,000   | 2,685,925 |
| Maryland Economic Development Corporation, Student Housing Revenue (University of Maryland, College Park Project) (Prerefunded)                    | 5.63 | 6/1/13  | 2,000,000 a | 2,299,280 |
| Maryland Health and Higher Educational Facilities Authority, Revenue (The Johns Hopkins University Issue) (Prerefunded)                            | 6.00 | 7/1/09  | 7,000,000 a | 7,071,120 |
| <b>Massachusetts--5.9%</b>   |      |         |             |           |
| Massachusetts Development Finance Agency, SWDR (Dominion Energy Brayton Point Issue)   | 5.00 | 2/1/36  | 2,000,000   | 1,635,600 |
| Massachusetts Health and Educational Facilities Authority, Healthcare System Revenue (Covenant Health Systems Obligated Group Issue)               | 6.00 | 7/1/31  | 1,970,000   | 1,967,616 |
| Massachusetts Health and Educational Facilities Authority, Healthcare System Revenue (Covenant Health Systems Obligated Group Issue) (Prerefunded) | 6.00 | 1/1/12  | 530,000 a   | 596,345   |
| Massachusetts Housing Finance Agency, Rental Housing Mortgage Revenue (Insured; AMBAC)   | 5.50 | 7/1/40  | 2,230,000   | 1,717,613 |
| Massachusetts Industrial Finance Agency, Water Treatment Revenue (Massachusetts-American   |      |         |             |           |
| Hingham Project)   | 6.95 | 12/1/35 | 5,235,000   | 4,445,248 |

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**Michigan--5.3%**

Detroit,

Sewage Disposal System Senior

Lien Revenue (Insured; FSA) 7.50 7/1/33 1,500,000 1,729,695

Michigan Hospital Finance

Authority, HR (Henry Ford

Health System) 5.00 11/15/38 1,515,000 1,127,448

Michigan Strategic Fund,

SWDR (Genesee Power Station

Project) 7.50 1/1/21 4,385,000 3,608,241

Royal Oak Hospital Finance

Authority, HR (William

Beaumont Hospital Obligated

Group) 8.00 9/1/29 2,500,000 2,812,675

**Minnesota--3.9%**

Minneapolis,

Health Care System Revenue

(Fairview Health Services) 6.75 11/15/32 3,000,000 3,152,700

Minnesota Agricultural and

Economic Development Board,

Health Care Facilities Revenue

(Essentia Health Obligated

Group) (Insured; Assured

Guaranty) 5.00 2/15/37 1,000,000 979,410

Minnesota Agricultural and

Economic Development Board,

Health Care System Revenue

(Fairview Health Care Systems) 6.38 11/15/29 80,000 80,683

Minnesota Agricultural and

Economic Development Board,

Health Care System Revenue

(Fairview Health Care Systems)

(Prerefunded) 6.38 11/15/10 2,420,000 a 2,622,627

**Mississippi--3.1%**

Mississippi Business Finance

Corporation, PCR (System

Energy Resources, Inc. Project) 5.88 4/1/22 6,000,000 5,457,120

**Missouri--1.6%**

Missouri Health and Educational

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|   |      |         |             |           |
|---|------|---------|-------------|-----------|
| Facilities Authority, Health<br>Facilities Revenue (Saint<br>Anthony's Medical Center)<br>(Prerefunded)                   | 6.25 | 12/1/10 | 2,500,000 a | 2,711,325 |
| Missouri Housing Development<br>Commission, SFMR<br>(Homeownership Loan Program)<br>(Collateralized: FNMA and GNMA)       | 6.30 | 9/1/25  | 120,000     | 122,286   |
| <b>Nevada--2.0%</b>   |      |         |             |           |
| Clark County,<br>IDR (Southwest Gas Corporation<br>Project) (Insured; AMBAC)  | 6.10 | 12/1/38 | 4,000,000   | 3,560,160 |
| <b>New Hampshire--1.2%</b>  |      |         |             |           |
| New Hampshire Business Finance<br>Authority, PCR (Public Service<br>Company of New Hampshire<br>Project) (Insured; AMBAC) | 6.00 | 5/1/21  | 2,135,000   | 2,118,923 |
| <b>New Jersey--2.1%</b>   |      |         |             |           |
| New Jersey Economic Development<br>Authority, Cigarette Tax<br>Revenue  | 5.50 | 6/15/31 | 1,610,000   | 1,216,822 |
| New Jersey Higher Education<br>Student Assistance Authority,<br>Student Loan Revenue (Insured;<br>Assured Guaranty)       | 6.13 | 6/1/30  | 2,500,000   | 2,495,450 |
| <b>New Mexico--2.3%</b>   |      |         |             |           |
| Farmington,<br>PCR (Public Service Company of<br>New Mexico San Juan Project)   | 6.30 | 12/1/16 | 3,000,000   | 2,997,180 |
| New Mexico Mortgage Finance<br>Authority, Single Family<br>Mortgage Program<br>(Collateralized: FHLMC and<br>GNMA)        | 6.85 | 9/1/31  | 1,000,000   | 1,012,110 |
| <b>New York--1.8%</b>   |      |         |             |           |
| Long Island Power Authority,<br>Electric System General Revenue   | 5.00 | 9/1/27  | 1,500,000   | 1,489,290 |
| New York City Industrial<br>Development Agency, PILOT<br>Revenue (Yankee Stadium  |      |         |             |           |



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|   |      |         |             |           |
|---|------|---------|-------------|-----------|
| Project) (Insured; Assured<br>Guaranty)   | 7.00 | 3/1/49  | 1,435,000   | 1,613,528 |
| <b>North Carolina--.6%</b>  |      |         |             |           |
| North Carolina Housing Finance<br>Agency, Home Ownership Revenue  | 6.25 | 1/1/29  | 1,125,000   | 1,125,563 |
| <b>Ohio--1.6%</b>   |      |         |             |           |
| Buckeye Tobacco Settlement<br>Financing Authority, Tobacco<br>Settlement Asset-Backed Bonds   | 6.50 | 6/1/47  | 2,000,000   | 1,234,500 |
| Toledo-Lucas County Port<br>Authority, Special Assessment<br>Revenue (Crocker Park Public<br>Improvement Project)   | 5.38 | 12/1/35 | 2,000,000   | 1,658,740 |
| <b>Pennsylvania--7.4%</b>   |      |         |             |           |
| Lancaster Higher Education<br>Authority, College Revenue<br>(Franklin and Marshall College<br>Project)  | 5.00 | 4/15/37 | 2,000,000   | 1,890,880 |
| Pennsylvania Economic Development<br>Financing Authority, RRR<br>(Northampton Generating<br>Project)  | 6.60 | 1/1/19  | 3,500,000   | 2,636,410 |
| Sayre Health Care Facilities<br>Authority, Revenue (Guthrie<br>Health)  | 5.88 | 12/1/31 | 1,755,000   | 1,670,005 |
| Sayre Health Care Facilities<br>Authority, Revenue (Guthrie<br>Health) (Prerefunded)  | 5.88 | 12/1/11 | 5,995,000 a | 6,717,697 |
| <b>South Carolina--10.3%</b>  |      |         |             |           |
| Lancaster Educational Assistance<br>Program, Inc., Installment<br>Purchase Revenue (The School<br>District of Lancaster County,<br>South Carolina, Project) | 5.00 | 12/1/26 | 5,000,000   | 4,554,600 |
| Medical University of South<br>Carolina, Hospital Facilities<br>Revenue (Prerefunded)   | 6.00 | 7/1/09  | 2,500,000 a | 2,525,400 |
| Piedmont Municipal Power Agency,<br>Electric Revenue  | 5.25 | 1/1/21  | 3,500,000   | 3,502,975 |
| South Carolina Public Service   |      |         |             |           |

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|   |      |         |             |           |
|---|------|---------|-------------|-----------|
| Authority, Revenue Obligations  | 5.50 | 1/1/38  | 3,000,000   | 3,147,060 |
| Tobacco Settlement Revenue  |      |         |             |           |
| Management Authority of South Carolina, Tobacco Settlement  |      |         |             |           |
| Asset-Backed Bonds  | 6.38 | 5/15/30 | 3,750,000   | 4,341,038 |
| <b>Tennessee--3.4%</b>  |      |         |             |           |
| Johnson City Health and Educational Facilities Board, Hospital First Mortgage Revenue (Mountain States Health Alliance)               | 5.50 | 7/1/36  | 2,000,000   | 1,689,120 |
| Knox County Health, Educational and Housing Facility Board, Revenue (University Health System, Inc.)                                  | 5.25 | 4/1/36  | 2,000,000   | 1,641,180 |
| Metropolitan Government of Nashville and Davidson County Health and Educational Facilities Board, Revenue (The Vanderbilt University) | 5.50 | 10/1/29 | 2,500,000   | 2,707,600 |
| <b>Texas--13.8%</b>   |      |         |             |           |
| Cities of Dallas and Fort Worth, Dallas/Fort Worth International Airport, Joint Revenue Improvement (Insured; FSA)                    | 5.00 | 11/1/35 | 1,500,000   | 1,291,965 |
| Gregg County Health Facilities Development Corporation, HR (Good Shepherd Medical Center Project) (Insured; Radian) (Prerefunded)     | 6.38 | 10/1/10 | 2,500,000 a | 2,669,150 |
| Harris County Health Facilities Development Corporation, HR (Memorial Hermann Healthcare System) (Prerefunded)                        | 6.38 | 6/1/11  | 3,565,000 a | 3,953,549 |
| Lubbock Educational Facilities Authority, Improvement Revenue (Lubbock Christian University)  | 5.25 | 11/1/37 | 1,500,000   | 1,166,130 |
| North Texas Tollway Authority,  |      |         |             |           |

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|  |      |         |             |           |
|--|------|---------|-------------|-----------|
| First Tier System Revenue<br>(Insured; Assured Guaranty)   | 5.75 | 1/1/40  | 4,000,000   | 4,146,840 |
| <hr/>  |      |         |             |           |
| North Texas Tollway Authority,<br>Second Tier System Revenue   | 5.75 | 1/1/38  | 4,000,000   | 3,848,400 |
| Texas,<br>GO (Veterans Housing<br>Assistance Program)<br>(Collateralized; FHA)   | 6.10 | 6/1/31  | 7,000,000   | 7,007,490 |
| <b>Utah--0%</b>  |      |         |             |           |
| Utah Housing Finance Agency,<br>SFMR (Collateralized; FHA)   | 6.00 | 1/1/31  | 85,000      | 81,507    |
| <b>Vermont--2.5%</b>   |      |         |             |           |
| Vermont Educational and Health<br>Buildings Financing Agency,<br>Revenue (Middlebury College<br>Project)               | 5.00 | 11/1/38 | 2,500,000   | 2,492,200 |
| Vermont Educational and Health<br>Buildings Financing Agency,<br>Revenue (Saint Michael's<br>College Project)          | 6.00 | 10/1/28 | 1,500,000   | 1,549,155 |
| Vermont Housing Finance Agency,<br>SFHR (Insured; FSA)   | 6.40 | 11/1/30 | 330,000     | 336,518   |
| <b>Virginia--1.3%</b>  |      |         |             |           |
| Washington County Industrial<br>Development Authority, HR<br>(Mountain States Health<br>Alliance)                      | 7.25 | 7/1/19  | 2,000,000   | 2,241,980 |
| <b>Washington--7.3%</b>  |      |         |             |           |
| Washington Health Care Facilities<br>Authority, Mortgage Revenue<br>(Highline Medical Center)<br>(Collateralized; FHA) | 6.25 | 8/1/36  | 3,000,000   | 3,145,920 |
| Washington Health Care Facilities<br>Authority, Revenue (Catholic<br>Health Initiatives)                               | 6.38 | 10/1/36 | 1,500,000   | 1,576,260 |
| Washington Higher Educational<br>Facilities Authority, Revenue<br>(Whitman College) (Prerefunded)                      | 5.88 | 10/1/09 | 5,000,000 a | 5,070,050 |
| Washington Housing Finance   |      |         |             |           |

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Commission, Revenue  
(Single-Family Program)  
(Collateralized: FHLMC, FNMA

|  |      |          |                |                      |
|--|------|----------|----------------|----------------------|
| and GNMA)  | 5.15 | 6/1/37   | 3,160,000      | 3,067,886            |
| <b>West Virginia--1.2%</b>   |      |          |                |                      |
| The County Commission of Pleasants<br>County, PCR (Allegheny Energy<br>Supply Company, LLC Pleasants<br>Station Project) | 5.25 | 10/15/37 | 2,500,000      | 2,175,825            |
| <b>Wisconsin--4.1%</b>   |      |          |                |                      |
| Badger Tobacco Asset<br>Securitization Corporation,<br>Tobacco Settlement<br>Asset-Backed Bonds<br>(Prerefunded)         | 7.00 | 6/1/12   | 2,500,000 a    | 2,841,650            |
| Wisconsin Health and Educational<br>Facilities Authority, Revenue<br>(Aurora Health Care, Inc.)                          | 5.60 | 2/15/29  | 4,975,000      | 4,396,706            |
| <b>Wyoming--1.8%</b>   |      |          |                |                      |
| Sweetwater County,<br>SWDR (FMC Corporation Project)   | 5.60 | 12/1/35  | 1,500,000      | 1,215,750            |
| Wyoming Municipal Power Agency,<br>Power Supply System Revenue   | 5.50 | 1/1/38   | 2,000,000      | 1,974,480            |
| <b>U.S. Related--6.1%</b>  |      |          |                |                      |
| Government of Guam,<br>LOR (Section 30)  | 5.75 | 12/1/34  | 1,500,000      | 1,470,480            |
| Puerto Rico Commonwealth,<br>Public Improvement GO   | 5.50 | 7/1/32   | 1,000,000      | 903,500              |
| Puerto Rico Electric Power<br>Authority, Power Revenue   | 5.00 | 7/1/37   | 1,945,000      | 1,666,398            |
| Puerto Rico Electric Power<br>Authority, Power Revenue   | 5.50 | 7/1/38   | 4,000,000      | 3,695,800            |
| Puerto Rico Sales Tax Financing<br>Corporation, Sales Tax Revenue<br>(First Subordinate Series)                          | 6.00 | 8/1/42   | 3,000,000      | 2,940,660            |
| <b>Total Investments</b> (cost \$273,972,662)  |      |          | <b>155.9%</b>  | <b>273,808,493</b>   |
| <b>Cash and Receivables (Net)</b>  |      |          | <b>1.0%</b>    | <b>1,877,450</b>     |
| <b>Preferred Stock, at redemption value</b>  |      |          | <b>(56.9%)</b> | <b>(100,000,000)</b> |
| <b>Net Assets Applicable to</b>  |      |          | <b>100.0%</b>  | <b>175,685,943</b>   |

**Common Shareholders**

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

c Purchased on a delayed delivery basis.

At June 30, 2009, the aggregate cost of investment securities for income tax purposes was \$273,972,662. Net unrealized depreciation on investments was \$164,169 of which \$11,785,839 related to appreciated investment securities and \$11,950,008 related to depreciated investment securities.

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>BIGI</b> | Bond Investors Guaranty Insurance        |
| <b>BPA</b>   | Bond Purchase Agreement                       | <b>CGIC</b> | Capital Guaranty Insurance Company       |
| <b>CIC</b>   | Continental Insurance Company                 | <b>CIFG</b> | CDC Ixis Financial Guaranty              |
| <b>CMAC</b>  | Capital Markets Assurance Corporation         | <b>COP</b>  | Certificate of Participation             |
| <b>CP</b>    | Commercial Paper                              | <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>FSA</b>   | Financial Security Assurance                  | <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>LOC</b>   | Letter of Credit                |
| <b>LOR</b>    | Limited Obligation Revenue         | <b>LR</b>    | Lease Revenue                   |
| <b>MFHR</b>   | Multi-Family Housing Revenue       | <b>MFMR</b>  | Multi-Family Mortgage Revenue   |
| <b>PCR</b>    | Pollution Control Revenue          | <b>PILOT</b> | Payment in Lieu of Taxes        |
| <b>RAC</b>    | Revenue Anticipation Certificates  | <b>RAN</b>   | Revenue Anticipation Notes      |
| <b>RAW</b>    | Revenue Anticipation Warrants      | <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  | <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            |

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Various inputs are used in determining the value of the fund's investments relating to Financial Accounting Standard No. 157 (FAS 157), Fair Value Measurements.

These inputs are summarized in the three broad levels listed below.

**Level 1** - quoted prices in active markets for identical investments.

**Level 2** - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speed, credit risk, etc.)

**Level 3** - significant unobservable inputs (including 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, 2009 in valuing the fund's investments:

|                              | <b>Level 1 -<br/>Quoted<br/>Prices</b> | <b>Level 2 - Other<br/>Significant Observable<br/>Inputs</b> | <b>Level 3 -<br/>Significant<br/>Unobservable<br/>Inputs</b> | <b>Total</b>       |
|------------------------------|--|--|--|--------------------|
| <b>Assets (\$)</b>           |  |  |  |                    |
| Investments in Securities:   |  |  |  |                    |
| Municipal Bonds              | -                                      | 273,808,493  | -  | <b>273,808,493</b> |
| Other Financial Instruments+ | -                                      | -  | -  | -                  |
| <b>Liabilities (\$)</b>      |  |  |  |                    |
| Other Financial Instruments+ | -                                      | -  | -  | -                  |

Other financial instruments include derivative instruments, such as futures, forward currency exchange contracts, swap contracts and options contracts. Amounts shown represents unrealized appreciation (depreciation), or in the case of options, market value at period end.

The fund adopted Statement of Financial Accounting Standards No. 161 Disclosures about Derivative Instruments and Hedging Activities ( FAS 161 ). FAS 161 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. Since the fund held no derivatives during the period, FAS 161 disclosures did not impact the notes to the financial statements.

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.

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/ J. David Officer  
J. David Officer  
President

Date: August 12, 2009

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/ J. David Officer  
J. David Officer  
President

Date: August 12, 2009

By: /s/ James Windels  
James Windels  
Treasurer

Date: August 12, 2009

**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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