

DREYFUS MUNICIPAL INCOME INC  
Form N-Q  
February 23, 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:      12/31/2011

**FORM N-Q**

**Item 1. Schedule of Investments.**

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**STATEMENT OF INVESTMENTS****Dreyfus Municipal Income, Inc.****December 31, 2011 (Unaudited)**

<b>Long-Term Municipal Investments--148.0%</b>	<b>Coupon Rate (%)</b>	<b>Maturity Date</b>	<b>Principal Amount (\$)</b>	<b>Value (\$)</b>
<b>Arizona--9.7%</b>				
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	10,634,563
Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue	6.25	7/1/28	1,000,000	1,045,740
Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue	7.00	7/1/28	2,000,000	2,121,320
Pima County Industrial Development Authority, Education Revenue (American Charter Schools Foundation Project)	5.63	7/1/38	2,000,000	1,615,640
Pima County Industrial Development Authority, IDR (Tucson Electric Power Company Project)	5.75	9/1/29	1,000,000	1,036,920
Pinal County Electrical District Number 4, Electric System Revenue	6.00	12/1/38	2,300,000	2,393,472
Salt Verde Financial Corporation, Senior Gas Revenue	5.00	12/1/37	490,000	452,642
<b>California--23.4%</b>				
ABAG Financial Authority for Nonprofit Corporations, Insured Revenue, COP (Odd Fellows Home of California) California,	6.00	8/15/24	5,000,000	5,112,800
GO (Various Purpose)	5.75	4/1/31	3,950,000	4,432,690

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California, GO (Various Purpose)	6.00	3/1/33	1,250,000	1,442,925
California, GO (Various Purpose)	6.50	4/1/33	3,000,000	3,578,460
California, GO (Various Purpose)	6.00	11/1/35	2,500,000	2,848,675
California Municipal Finance Authority, Revenue (Southwestern Law School)	6.50	11/1/41	750,000	779,737
Chula Vista, IDR (San Diego Gas and Electric Company)	5.88	2/15/34	2,000,000	2,242,020
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	4.50	6/1/27	1,000,000	826,190
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds (Prerefunded)	7.80	6/1/13	3,000,000 c	3,311,910
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	11,141,400
Sacramento County, Airport System Subordinate and Passenger Facility Charges Grant Revenue	6.00	7/1/35	2,250,000	2,448,360
San Diego Public Facilities Financing Authority, Senior Sewer Revenue	5.25	5/15/34	1,000,000	1,082,090
Santa Ana Community Redevelopment Agency, Tax Allocation Revenue (Merged Project Area)	6.75	9/1/28	3,000,000	3,358,680
Tobacco Securitization Authority of Southern California, Tobacco Settlement				

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Asset-Backed Bonds (San Diego)

County Tobacco Asset Securitization Corporation)	5.00	6/1/37	3,500,000	2,474,675
Tuolumne Wind Project Authority, Revenue (Tuolumne Company Project)	5.88	1/1/29	1,500,000	1,694,220
<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	1,785,135
Colorado Health Facilities Authority, Health Facilities Revenue (The Evangelical Lutheran Good Samaritan Society Project)	6.13	6/1/38	2,525,000	2,557,017
Colorado Springs, HR	6.38	12/15/30	2,890,000	2,891,676
E-470 Public Highway Authority, Senior Revenue	5.25	9/1/25	1,000,000	1,010,330
E-470 Public Highway Authority, Senior Revenue	5.38	9/1/26	1,000,000	1,010,620
University of Colorado Regents, University Enterprise Revenue	5.38	6/1/38	1,500,000	1,678,695
<b>Florida--8.7%</b>				
Florida, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds	5.00	7/1/24	1,500,000	1,752,960
Greater Orlando Aviation Authority, Airport Facilities Revenue	6.25	10/1/20	3,980,000	4,859,063
Mid-Bay Bridge Authority, Springing Lien Revenue	7.25	10/1/34	2,500,000	2,633,525
Orange County School Board, COP (Master Lease Purchase Agreement) (Insured; Assured Guaranty Municipal Corp.)	5.50	8/1/34	2,000,000	2,155,880

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Palm Beach County Health Facilities Authority, Revenue (The Waterford Project)	5.88	11/15/37	2,400,000	2,412,216
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Saint Johns County Industrial Development Authority, Revenue (Presbyterian Retirement Communities Project)	5.88	8/1/40	2,500,000	2,550,475
South Lake County Hospital District, Revenue (South Lake Hospital, Inc.)	6.25	4/1/39	1,000,000	1,032,490
<b>Georgia--3.5%</b>				
Atlanta, Airport General Revenue	5.00	1/1/26	1,500,000	1,588,605
Atlanta, Water and Wastewater Revenue	6.00	11/1/28	3,000,000	3,479,850
Atlanta, Water and Wastewater Revenue (Insured; Assured Guaranty Municipal Corp.)	5.25	11/1/34	1,750,000	1,885,432
<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	2,614,320
<b>Illinois--3.6%</b>				
Chicago, General Airport Third Lien Revenue (Chicago O'Hare International Airport)	5.63	1/1/35	1,000,000	1,098,440
Chicago Metropolitan Water Reclamation District, GO Capital Improvement Limited Tax Bonds	5.00	12/1/32	2,500,000	2,793,025
Railsplitter Tobacco Settlement Authority, Tobacco Settlement Revenue	6.00	6/1/28	2,000,000	2,158,820
University of Illinois Board of				

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Trustees, Auxiliary Facilities				
System Revenue	5.13	4/1/36	1,000,000	1,053,390
<b>Indiana--.8%</b>				
Indianapolis Local Public				
Improvement Bond Bank, Revenue				
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(Indianapolis Airport				
Authority Project) (Insured;				
AMBAC)	5.00	1/1/36	1,500,000	1,504,485
<b>Iowa--1.5%</b>				
Iowa Student Loan Liquidity				
Corporation, Student Loan				
Revenue	5.75	12/1/28	3,000,000	3,047,430
<b>Louisiana--.6%</b>				
Louisiana Public Facilities				
Authority, Revenue (CHRISTUS				
Health Obligated Group)	6.13	7/1/29	1,000,000	1,104,850
<b>Maine--.7%</b>				
Maine Health and Higher				
Educational Facilities				
Authority, Revenue				
(MaineGeneral Medical Center				
Issue)	7.50	7/1/32	1,250,000	1,390,050
<b>Maryland--3.1%</b>				
Maryland Economic Development				
Corporation, EDR				
(Transportation Facilities				
Project)	5.75	6/1/35	1,000,000	1,013,590
Maryland Economic Development				
Corporation, PCR (Potomac				
Electric Project)	6.20	9/1/22	2,500,000	3,020,575
Maryland Economic Development				
Corporation, Student Housing				
Revenue (University of				
Maryland, College Park				
Project) (Prerefunded)	5.63	6/1/13	2,000,000 c	2,150,380
<b>Massachusetts--11.7%</b>				
Barclays Capital Municipal Trust				
Receipts (Massachusetts Health				

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and Educational Facilities Authority, Revenue (Massachusetts Institute of Technology Issue))	5.00	7/1/38	10,000,000 a,b	11,063,700
Massachusetts Development Finance Agency, Revenue (Partners HealthCare System Issue)	5.00	7/1/36	1,000,000	1,052,940

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Massachusetts Development Finance Agency, Revenue (Tufts Medical Center Issue)	7.25	1/1/32	1,500,000	1,695,240
Massachusetts Health and Educational Facilities Authority, Healthcare System Revenue (Covenant Health Systems Obligated Group Issue)	6.00	7/1/31	1,970,000	1,991,020
Massachusetts Health and Educational Facilities Authority, Revenue (Suffolk University Issue)	6.25	7/1/30	2,000,000	2,180,900
Massachusetts Industrial Finance Agency, Water Treatment Revenue (Massachusetts-American Hingham Project)	6.95	12/1/35	5,235,000	5,236,309
<b>Michigan--8.8%</b> Detroit, Sewage Disposal System Senior Lien Revenue (Insured; Assured Guaranty Municipal Corp.)	7.50	7/1/33	2,140,000	2,605,086
Detroit, Water Supply System Senior Lien Revenue	5.00	7/1/36	1,500,000	1,486,395
Michigan Building Authority, Revenue (Facilities Program)	5.13	10/15/30	2,025,000	2,203,666
Michigan Hospital Finance Authority, HR (Henry Ford Health System)	5.00	11/15/38	1,515,000	1,515,879
Michigan Strategic Fund,				



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SWDR (Genesee Power Station Project)	7.50	1/1/21	3,885,000	3,709,010
Royal Oak Hospital Finance Authority, HR (William Beaumont Hospital Obligated Group)	8.00	9/1/29	2,500,000	3,030,375
Wayne County Airport Authority, Airport Revenue (Detroit Metropolitan Wayne County				
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Airport) (Insured; National Public Finance Guarantee Corp.)	5.00	12/1/34	3,000,000	2,949,630
<b>Minnesota--1.7%</b> Minneapolis, Health Care System Revenue (Fairview Health Services)	6.75	11/15/32	3,000,000	3,375,330
Minnesota Agricultural and Economic Development Board, Health Care System Revenue (Fairview Health Care Systems)	6.38	11/15/29	80,000	80,097
<b>Mississippi--2.8%</b> Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project)	5.88	4/1/22	3,500,000	3,516,450
Warren County, Gulf Opportunity Zone Revenue (International Paper Company Project)	5.38	12/1/35	2,000,000	2,027,080
<b>Nevada--2.0%</b> Clark County, IDR (Southwest Gas Corporation Project) (Insured; AMBAC)	6.10	12/1/38	4,000,000	4,007,480
<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	2,128,140
New Jersey Higher Education Student Assistance Authority,				

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Student Loan Revenue (Insured; Assured Guaranty Municipal Corp.)	6.13	6/1/30	2,500,000	2,654,800
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/29	2,500,000	1,978,675
<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	3,093,900

**New York--7.0%**

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	8,860,437
New York City Educational Construction Fund, Revenue	6.50	4/1/28	1,500,000	1,845,630
New York City Industrial Development Agency, PILOT Revenue (Yankee Stadium Project) (Insured; Assured Guaranty Municipal Corp.)	7.00	3/1/49	1,435,000	1,656,923
Port Authority of New York and New Jersey, Special Project Bonds (JFK International Air Terminal LLC Project)	6.00	12/1/36	1,500,000	1,581,315

**North Carolina--2.6%**

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	5,182,300
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**Ohio--2.9%**

Butler County,  
Hospital Facilities Revenue

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(UC Health)	5.50	11/1/40	1,500,000	1,507,695
Ohio Air Quality Development Authority, Air Quality Revenue				
(Ohio Valley Electric Corporation Project)	5.63	10/1/19	2,100,000	2,343,201
Toledo-Lucas County Port Authority, Special Assessment Revenue (Crocker Park Public Improvement Project)	5.38	12/1/35	2,000,000	1,903,080
<b>Pennsylvania--3.3%</b>				
Delaware County Industrial Development Authority, Charter School Revenue (Chester Community Charter School				
Project)	6.13	8/15/40	2,500,000	2,369,350
JPMorgan Chase Putters/Drivers Trust (Geisinger Authority, Health System Revenue (Geisinger Health System))	5.13	6/1/35	2,000,000 a,b	2,109,960
Philadelphia, GO	6.50	8/1/41	1,750,000	2,043,738
<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	2,000,420
<b>South Carolina--6.8%</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	5,174,650
South Carolina Public Service Authority, Revenue Obligations	5.50	1/1/38	3,000,000	3,317,790
Tobacco Settlement Revenue Management Authority of South Carolina, Tobacco Settlement				
Asset-Backed Bonds	6.38	5/15/30	3,750,000	5,050,875

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**Texas--9.7%**

Barclays Capital Municipal Trust Receipts (Texas A&M University System Board of Regents, Financing System Revenue) Houston, Airport System Subordinate Lien Revenue	5.00	5/15/39	5,000,000 a,b	5,439,850
La Vernia Higher Education Finance Corporation, Education Revenue (Knowledge is Power Program, Inc.)	5.00	7/1/25	1,300,000	1,384,474
Lubbock Educational Facilities Authority, Improvement Revenue (Lubbock Christian University)	6.25	8/15/39	2,250,000	2,407,207
North Texas Tollway Authority,	5.25	11/1/37	1,500,000	1,468,740

First Tier System Revenue (Insured; Assured Guaranty Municipal Corp.)	5.75	1/1/40	4,000,000	4,324,840
North Texas Tollway Authority, Second Tier System Revenue	5.75	1/1/38	4,000,000	4,235,680

**Vermont--.9%**

Vermont Educational and Health Buildings Financing Agency, Revenue (Saint Michael's College Project)	6.00	10/1/28	1,500,000	1,532,190
Vermont Housing Finance Agency, SFHR (Insured; Assured Guaranty Municipal Corp.)	6.40	11/1/30	215,000	219,519

**Virginia--1.1%**

Washington County Industrial Development Authority, HR (Mountain States Health Alliance)	7.25	7/1/19	2,000,000	2,265,040
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**Washington--4.3%**

Barclays Capital Municipal Trust Receipts (King County, Sewer Revenue)	5.00	1/1/29	2,999,037 a,b	3,407,082
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Washington Health Care Facilities Authority, Mortgage Revenue (Highline Medical Center) (Collateralized; FHA)	6.25	8/1/36	2,990,000	3,393,620
Washington Health Care Facilities Authority, Revenue (Catholic Health Initiatives)	6.38	10/1/36	1,500,000	1,700,820
Washington Housing Finance Commission, Revenue (Single-Family Program) (Collateralized: FHLMC, FNMA and GNMA)	5.15	6/1/37	10,000	10,086
<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	1,004,830
<b>Wisconsin--2.4%</b>				
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Wisconsin Health and Educational Facilities Authority, Revenue (Aurora Health Care, Inc.)	5.60	2/15/29	4,780,000	4,782,486
<b>Wyoming--1.1%</b>				
Wyoming Municipal Power Agency, Power Supply System Revenue	5.50	1/1/38	2,000,000	2,137,240
<b>U.S. Related--10.0%</b>				
Guam, LOR (Section 30)	5.75	12/1/34	1,500,000	1,552,440
Puerto Rico Commonwealth, Public Improvement GO	5.50	7/1/32	1,000,000	1,029,420
Puerto Rico Commonwealth, Public Improvement GO	6.50	7/1/40	1,000,000	1,127,290
Puerto Rico Electric Power Authority, Power Revenue	5.00	7/1/37	1,945,000	1,959,412
Puerto Rico Electric Power Authority, Power Revenue	5.50	7/1/38	5,400,000	5,604,444
Puerto Rico Electric Power Authority, Power Revenue	5.25	7/1/40	1,500,000	1,542,975
Puerto Rico Sales Tax Financing				

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Corporation, Sales Tax Revenue (First Subordinate Series)	5.38	8/1/39	1,000,000	1,055,600
Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series)	6.00	8/1/42	5,500,000	6,034,270
<b>Total Long-Term Municipal Investments</b> (cost \$274,047,862)				<b>294,457,474</b>
<b>Short-Term Municipal Investments--1.9%</b>	<b>Coupon Rate (%)</b>	<b>Maturity Date</b>	<b>Principal Amount (\$)</b>	<b>Value (\$)</b>
<b>California--.4%</b> California, Economic Recovery Bonds (LOC; JPMorgan Chase Bank)	0.04	1/1/12	800,000 d	800,000
<b>New York--1.5%</b> New York City, GO Notes (LOC; JPMorgan Chase Bank)	0.08	1/1/12	2,900,000 d	2,900,000
<b>Total Short-Term Municipal Investments</b>				

(cost \$3,700,000)

**3,700,000**

<b>Total Investments</b> (cost \$277,747,862)	<b>149.9%</b>	<b>298,157,474</b>
<b>Liabilities, Less Cash and Receivables</b>	<b>(12.2%)</b>	<b>(24,298,824)</b>
<b>Preferred Stock, at redemption value</b>	<b>(37.7%)</b>	<b>(75,000,000)</b>
<b>Net Assets Applicable to Common Shareholders</b>	<b>100.0%</b>	<b>198,858,650</b>

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 December 31, 2011, these securities were valued at \$57,839,292 or 29.1% 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 December 31, 2011. Maturity date represents the next demand date, or the ultimate maturity date if earlier.

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At December 31, 2011, the aggregate cost of investment securities for income tax purposes was \$277,747,862. Net unrealized appreciation on investments was \$20,409,612 of which \$21,417,071 related to appreciated investment securities and \$1,007,459 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>BPA</b>	Bond Purchase Agreement
<b>CIFG</b>	CDC Ixis Financial Guaranty	<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>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>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>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

The following is a summary of the inputs used as of December 31, 2011 in valuing the fund's investments:

<b>Assets (\$)</b>	<b>Level 1 - Unadjusted Quoted Prices</b>	<b>Level 2 - Other Significant Observable Inputs</b>	<b>Level 3 - Significant Unobservable Inputs</b>	<b>Total</b>
Investments in Securities:				
Municipal Bonds	-	298,157,474	-	<b>298,157,474</b>

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

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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: 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: 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.

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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: February 23, 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: February 23, 2012

By: /s/ James Windels  
James Windels

Treasurer

Date: February 23, 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)