

DREYFUS MUNICIPAL INCOME INC
Form N-Q
February 28, 2013

**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: 12/31/2012

FORM N-Q

Item 1. Schedule of Investments.

STATEMENT OF INVESTMENTS**Dreyfus Municipal Income, Inc.****December 31, 2012 (Unaudited)**

Long-Term Municipal Investments--143.0%	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Arizona--10.3%				
Apache County Industrial Development Authority, PCR (Tucson Electric Power Company Project)	4.50	3/1/30	1,500,000	1,572,270
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	11,214,263
Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue (Prerefunded)	6.25	1/1/14	1,000,000 c	1,058,690
Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue (Prerefunded)	7.00	1/1/14	2,000,000 c	2,131,700
Pima County Industrial Development Authority, Education Revenue (American Charter Schools Foundation Project)	5.63	7/1/38	2,000,000	1,907,700
Pima County Industrial Development Authority, IDR (Tucson Electric Power Company Project)	5.75	9/1/29	1,000,000	1,060,680
Pinal County Electrical District Number 4, Electric System Revenue	6.00	12/1/38	2,300,000	2,514,797
Salt Verde Financial Corporation, Senior Gas Revenue	5.00	12/1/37	490,000	547,712
California--21.3%				
California,				

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GO (Various Purpose) California,	5.75	4/1/31	3,950,000	4,667,043
GO (Various Purpose) California,	6.00	3/1/33	1,250,000	1,527,575
GO (Various Purpose) California,	6.50	4/1/33	3,000,000	3,740,370
GO (Various Purpose) California Department of Water Resources, Power Supply Revenue	6.00	11/1/35	2,500,000	3,021,100
California Municipal Finance Authority, Revenue (Southwestern Law School)	5.00	5/1/17	2,000,000	2,353,200
	6.50	11/1/41	750,000	880,815

California State Public Works Board, LR (The Regents of the University of California) (Various University of California Projects) Chula Vista, IDR (San Diego Gas and Electric Company) Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds (Prerefunded) JPMorgan Chase Putters/Drivers Trust (Los Angeles Departments of Airports, Senior Revenue (Los Angeles International Airport)) Sacramento County, Airport System Subordinate and Passenger Facility Charges Grant Revenue	5.00	4/1/34	1,000,000	1,103,270
	5.88	2/15/34	2,000,000	2,358,220
	4.50	6/1/27	1,000,000	938,260
	7.80	6/1/13	1,000,000 c	1,031,510
	5.25	5/15/18	10,000,000 a,b	11,829,700
	6.00	7/1/35	2,250,000	2,632,793

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San Diego Public Facilities Financing Authority, Senior Sewer Revenue	5.25	5/15/34	1,000,000	1,149,910
Santa Ana Community Redevelopment Agency, Tax Allocation Revenue (Merged Project Area)	6.75	9/1/28	3,000,000	3,682,410
Tobacco Securitization Authority of Southern California, Tobacco Settlement Asset-Backed Bonds (San Diego County Tobacco Asset Securitization Corporation)	5.00	6/1/37	3,500,000	3,132,395
Tuolumne Wind Project Authority, Revenue (Tuolumne Company Project)	5.88	1/1/29	1,500,000	1,784,580
Colorado--4.0%				
Colorado Educational and Cultural Facilities Authority, Charter School Revenue (American Academy Project)	8.00	12/1/40	1,500,000	1,843,710
Colorado Health Facilities Authority, Health Facilities Revenue (The Evangelical Lutheran Good Samaritan Society Project) (Prerefunded)	6.13	6/1/14	2,525,000 c	2,730,005
E-470 Public Highway Authority, Senior Revenue	5.25	9/1/25	1,000,000	1,110,340
E-470 Public Highway Authority, Senior Revenue	5.38	9/1/26	1,000,000	1,113,690
University of Colorado Regents, University Enterprise Revenue	5.38	6/1/38	1,500,000	1,764,375
Florida--10.5%				
Citizens Property Insurance Corporation, Personal Lines Account/Commercial Lines Account Senior Secured Revenue	5.00	6/1/22	1,500,000	1,754,550
Greater Orlando Aviation Authority, Airport Facilities				

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Revenue	6.25	10/1/20	3,980,000	4,945,429
Higher Educational Facilities Financing Authority, Revenue (The University of Tampa Project)	5.25	4/1/42	2,000,000	2,218,520
Miami-Dade County, Subordinate Special Obligation Revenue	5.00	10/1/37	2,000,000	2,232,760
Mid-Bay Bridge Authority, Springing Lien Revenue	7.25	10/1/34	2,500,000	3,219,725
Palm Beach County Health Facilities Authority, Revenue (The Waterford Project)	5.88	11/15/37	2,400,000	2,523,504
Saint Johns County Industrial Development Authority, Revenue (Presbyterian Retirement Communities Project)	5.88	8/1/40	2,500,000	2,796,125
South Lake County Hospital District, Revenue (South Lake Hospital, Inc.)	6.25	4/1/39	1,000,000	1,149,780
Tampa, Capital Improvement Cigarette Tax Allocation Revenue (H. Lee Moffitt Cancer Center Project)	5.00	9/1/28	700,000	806,855
Tampa, Capital Improvement Cigarette Tax Allocation Revenue (H. Lee Moffitt Cancer Center Project)	5.00	9/1/29	700,000	803,082
Georgia--2.5% Atlanta, Airport General Revenue	5.00	1/1/26	1,500,000	1,717,125
Atlanta, Water and Wastewater Revenue	6.00	11/1/28	3,000,000	3,692,760
Hawaii--1.3% Hawaii Department of Budget and Finance, Special Purpose Revenue (Hawaiian Electric Company, Inc. and Subsidiary Projects)	6.50	7/1/39	2,400,000	2,810,784
Illinois--4.1%				

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Chicago, General Airport Third Lien Revenue (Chicago O'Hare International Airport)	5.63	1/1/35	1,000,000	1,174,980
Greater Chicago Metropolitan Water Reclamation District, GO Capital Improvement Limited Tax Bonds	5.00	12/1/32	2,500,000	2,984,600
Illinois, GO Railsplitter Tobacco Settlement Authority, Tobacco Settlement Revenue	5.00	8/1/24	1,000,000	1,151,710
University of Illinois Board of Trustees, Auxiliary Facilities System Revenue	6.00	6/1/28	2,000,000	2,412,740
5.13	4/1/36	1,000,000	1,118,940	
Indiana--2.2%				
Indiana Finance Authority, Educational Facilities Revenue (Butler University Project)	5.00	2/1/31	1,460,000	1,581,224
Indiana Finance Authority, Midwestern Disaster Relief Revenue (Ohio Valley Electric Corporation Project)	5.00	6/1/39	1,500,000	1,552,335
Indianapolis Local Public Improvement Bond Bank, Revenue (Indianapolis Airport Authority Project) (Insured; AMBAC)	5.00	1/1/36	1,500,000	1,576,800
Iowa--1.6%				
Iowa Student Loan Liquidity Corporation, Student Loan Revenue	5.75	12/1/28	3,000,000	3,422,700
Louisiana--.5%				
Louisiana Public Facilities Authority, Revenue (CHRISTUS Health Obligated Group)	6.13	7/1/29	1,000,000	1,176,530
Maine--.7%				
Maine Health and Higher				

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Educational Facilities Authority, Revenue (MaineGeneral Medical Center Issue)	7.50	7/1/32	1,250,000	1,590,062
Maryland--2.0%				
Maryland Economic Development Corporation, EDR (Transportation Facilities Project)	5.75	6/1/35	1,000,000	1,140,220
Maryland Economic Development Corporation, PCR (Potomac Electric Project)	6.20	9/1/22	2,500,000	3,063,125
Massachusetts--7.8%				
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Barclays Capital Municipal Trust Receipts (Massachusetts Health and Educational Facilities Authority, Revenue (Massachusetts Institute of Technology Issue))	5.00	7/1/38	10,000,000 a,b	11,393,500
Massachusetts Development Finance Agency, Revenue (Partners HealthCare System Issue)	5.00	7/1/36	1,000,000	1,140,620
Massachusetts Development Finance Agency, Revenue (Tufts Medical Center Issue)	7.25	1/1/32	1,500,000	1,890,150
Massachusetts Health and Educational Facilities Authority, Revenue (Suffolk University Issue)	6.25	7/1/30	2,000,000	2,334,360
Michigan--9.0%				
Detroit, Sewage Disposal System Senior Lien Revenue (Insured; Assured Guaranty Municipal Corp.)	7.50	7/1/33	2,140,000	2,679,751
Detroit, Water Supply System Senior Lien Revenue	5.00	7/1/31	1,500,000	1,618,965
Detroit,				

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Water Supply System Senior				
Lien Revenue	5.00	7/1/36	3,000,000	3,175,590
Michigan Building Authority, Revenue (Facilities Program)	5.13	10/15/30	2,025,000	2,354,346
Michigan Hospital Finance Authority, HR (Henry Ford Health System)	5.00	11/15/38	1,515,000	1,587,326
Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	3,685,000	3,684,963
Royal Oak Hospital Finance Authority, HR (William Beaumont Hospital Obligated Group)	8.00	9/1/29	2,500,000	3,189,950
Wayne County Airport Authority, Airport Revenue (Detroit Metropolitan Wayne County Airport) (Insured; National Public Finance Guarantee Corp.)	5.00	12/1/34	1,000,000	1,034,340
Minnesota--1.7%				
Minneapolis, Health Care System Revenue (Fairview Health Services)	6.75	11/15/32	3,000,000	3,600,540
Minnesota Agricultural and Economic Development Board, Health Care System Revenue (Fairview Health Care Systems)	6.38	11/15/29	80,000	80,296
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Mississippi--2.7%				
Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project)	5.88	4/1/22	3,500,000	3,510,570
Warren County, Gulf Opportunity Zone Revenue (International Paper Company Project)	5.38	12/1/35	2,000,000	2,206,060
Nebraska--1.5%				
Nebraska Public Power District, General Revenue	5.00	1/1/32	2,785,000	3,273,099

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New Jersey--4.3%

Higher Education Student Assistance Authority, Senior Student Loan Revenue	5.00	12/1/18	1,500,000	1,701,855
New Jersey Economic Development Authority, Water Facilities Revenue (New Jersey - American Water Company, Inc. Project)	5.70	10/1/39	2,000,000	2,237,760
New Jersey Higher Education Student Assistance Authority, Student Loan Revenue (Insured; Assured Guaranty Municipal Corp.)	6.13	6/1/30	2,500,000	2,790,475
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/29	2,500,000	2,442,425

New Mexico--1.6%

Farmington, PCR (Public Service Company of New Mexico San Juan Project)	5.90	6/1/40	3,000,000	3,344,250
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New York--6.8%

Barclays Capital Municipal Trust Receipts (New York City Transitional Finance Authority, Future Tax Secured Revenue)	5.00	5/1/30	7,996,797 a,b	9,213,877
New York City Educational Construction Fund, Revenue	6.50	4/1/28	1,500,000	1,913,220
New York City Industrial Development Agency, PILOT Revenue (Yankee Stadium Project) (Insured; Assured Guaranty Municipal Corp.)	7.00	3/1/49	1,435,000	1,752,896
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	1,787,010

North Carolina--2.7%

Barclays Capital Municipal Trust Receipts (North Carolina				
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Medical Care Commission, Health Care Facilities Revenue (Duke University Health System))	5.00	6/1/42	5,000,000 a,b	5,745,700
Ohio--2.8%				
Butler County, Hospital Facilities Revenue (Kettering Health Network Obligated Group Project)	6.38	4/1/36	1,250,000	1,518,000
Butler County, Hospital Facilities Revenue (UC Health)	5.50	11/1/40	1,500,000	1,668,600
Ohio Air Quality Development Authority, Air Quality Revenue (Ohio Valley Electric Corporation Project)	5.63	10/1/19	600,000	707,202
Toledo-Lucas County Port Authority, Special Assessment Revenue (Crocker Park Public Improvement Project)	5.38	12/1/35	2,000,000	2,052,200
Pennsylvania--2.5%				
Clairton Municipal Authority, Sewer Revenue	5.00	12/1/42	1,000,000	1,030,400
JPMorgan Chase Putters/Drivers Trust (Geisinger Authority, Health System Revenue (Geisinger Health System))	5.13	6/1/35	2,000,000 a,b	2,248,300
Philadelphia, GO	6.50	8/1/41	1,750,000	2,136,732
Rhode Island--.9%				
Tobacco Settlement Financing Corporation of Rhode Island, Tobacco Settlement Asset-Backed Bonds	6.13	6/1/32	2,000,000	2,027,020
South Carolina--6.6%				
Lancaster Educational Assistance Program, Inc., Installment Purchase Revenue (The School				

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District of Lancaster County, South Carolina, Project)	5.00	12/1/26	5,000,000	5,183,350
South Carolina Public Service Authority, Revenue Obligations	5.50	1/1/38	3,000,000	3,461,520
Tobacco Settlement Revenue Management Authority of South Carolina, Tobacco Settlement Asset-Backed Bonds	6.38	5/15/30	3,750,000	5,458,163
Texas--11.7%				
Barclays Capital Municipal Trust Receipts (Texas A&M University System Board of Regents, Financing System Revenue) Dallas and Fort Worth,	5.00	5/15/39	5,000,000 a,b	5,669,200
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Joint Improvement Revenue (Dallas/Fort Worth International Airport)	5.00	11/1/42	2,500,000	2,700,800
Houston, Airport System Subordinate Lien Revenue	5.00	7/1/25	1,300,000	1,503,294
La Vernia Higher Education Finance Corporation, Education Revenue (Knowledge is Power Program, Inc.)	6.25	8/15/39	2,250,000	2,624,377
Lubbock Educational Facilities Authority, Improvement Revenue (Lubbock Christian University)	5.25	11/1/37	1,500,000	1,602,300
North Texas Education Finance Corporation, Education Revenue (Uplift Education)	5.13	12/1/42	2,000,000	2,151,460
North Texas Tollway Authority, First Tier System Revenue (Insured; Assured Guaranty Municipal Corp.)	5.75	1/1/40	1,685,000	1,933,639
North Texas Tollway Authority, Second Tier System Revenue Pasadena Independent School District, Unlimited Tax School	5.75	1/1/38	4,000,000	4,439,560

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Building Bonds (Permanent School Fund Guarantee Program)	5.00	2/15/31	2,000,000	2,406,440
Virginia--2.5%				
Virginia Commonwealth Transportation Board, Transportation Capital Projects Revenue	5.00	5/15/21	1,660,000	2,101,460
Virginia Commonwealth Transportation Board, Transportation Capital Projects Revenue	5.00	5/15/22	1,000,000	1,272,940
Washington County Industrial Development Authority, HR (Mountain States Health Alliance)	7.25	7/1/19	1,780,000	2,016,277
Washington--4.7%				
Barclays Capital Municipal Trust Receipts (King County, Sewer Revenue)	5.00	1/1/29	2,999,037 a,b	3,550,347
Port of Seattle, Intermediate Lien Revenue	5.00	8/1/33	1,000,000	1,170,480
Washington Health Care Facilities Authority, Mortgage Revenue (Highline Medical Center) (Collateralized; FHA)	6.25	8/1/36	2,990,000	3,554,542
Washington Health Care Facilities Authority, Revenue (Catholic Health Initiatives)	6.38	10/1/36	1,500,000	1,817,040

West Virginia--.5%

The County Commission of Harrison County, SWDR (Allegheny Energy Supply Company, LLC Harrison Station Project)	5.50	10/15/37	1,000,000	1,059,360
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Wisconsin--.5%

Public Finance Agency, Senior Airport Facilities Revenue (Transportation Infrastructure Properties, LLC				
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Obligated Group)	5.00	7/1/42	1,000,000	1,018,170
Wyoming--1.1%				
Wyoming Municipal Power Agency, Power Supply System Revenue	5.50	1/1/38	2,000,000	2,259,780
U.S. Related--10.1%				
Guam, LOR (Section 30)	5.75	12/1/34	1,500,000	1,684,635
Puerto Rico Aqueduct and Sewer Authority, Senior Lien Revenue	5.13	7/1/37	2,500,000	2,282,275
Puerto Rico Commonwealth, Public Improvement GO	5.50	7/1/32	1,000,000	1,011,100
Puerto Rico Commonwealth, Public Improvement GO	6.50	7/1/40	1,000,000	1,066,830
Puerto Rico Electric Power Authority, Power Revenue	5.00	7/1/37	1,945,000	1,877,100
Puerto Rico Electric Power Authority, Power Revenue	5.50	7/1/38	5,400,000	5,457,348
Puerto Rico Electric Power Authority, Power Revenue	5.25	7/1/40	1,500,000	1,488,135
Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series)	5.38	8/1/39	1,000,000	1,026,590
Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series)	6.00	8/1/42	5,500,000	5,889,345
Total Long-Term Municipal Investments (cost \$272,708,934)				306,830,253
Short-Term Municipal Investments--2.8%	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
California--.6%				
California, GO Notes (Kindergarten-University) (LOC; Citibank NA)	0.10	1/2/13	1,200,000 d	1,200,000
New York--2.2%				
New York City, GO Notes (LOC; JPMorgan Chase Bank)	0.12	1/2/13	1,200,000 d	1,200,000
New York City, GO Notes (LOC; JPMorgan Chase Bank)	0.12	1/2/13	800,000 d	800,000

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New York City,

GO Notes (LOC; JPMorgan Chase Bank)	0.12	1/2/13	100,000 d	100,000
New York City,				
GO Notes (LOC; JPMorgan Chase Bank)	0.13	1/2/13	2,800,000 d	2,800,000
Total Short-Term Municipal Investments				
(cost \$6,100,000)				6,100,000
Total Investments (cost \$278,808,934)			145.8 %	312,930,253
Liabilities, Less Cash and Receivables			(10.9 %)	(23,308,531)
Preferred Stock, at redemption value			(34.9 %)	(75,000,000)
Net Assets Applicable to Common Shareholders			100.0 %	214,621,722

- a Collateral for floating rate borrowings.
- b Securities exempt from registration pursuant to Rule 144A under the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2012, these securities were valued at \$60,864,887 or 28.4% 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, 2012. Maturity date represents the next demand date, or the ultimate maturity date if earlier.

At December 31, 2012, net unrealized appreciation on investments was \$34,121,319 of which \$34,415,450 related to appreciated investment securities and \$294,131 related to depreciated investment securities. At December 31, 2012, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes.

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	DRIVERS	Derivative Inverse Tax-Exempt Receipts
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

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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	LIFERS	Long Inverse Floating Exempt Receipts

LOC	Letter of Credit	LOR	Limited Obligation Revenue
LR	Lease Revenue	MERLOTS	Municipal Exempt Receipt Liquidity Option Tender
MFHR	Multi-Family Housing Revenue	MFMR	Multi-Family Mortgage Revenue
PCR	Pollution Control Revenue	P-FLOATS	Puttable Floating Option Tax-Exempts Receipts
PILOT	Payment in Lieu of Taxes	PUTTERS	Puttable Tax-Exempt Receipts
RAC	Revenue Anticipation Certificates	RAN	Revenue Anticipation Notes
RAW	Revenue Anticipation Warrants	ROCS	Reset Option Certificates
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
SPEARS	Short Puttable Exempt Adjustable Receipts	SWDR	Solid Waste Disposal Revenue
TAN	Tax Anticipation Notes	TAW	Tax Anticipation Warrants
TRAN	Tax and Revenue Anticipation Notes	XLCA	XL Capital Assurance

The following is a summary of the inputs used as of December 31, 2012 in valuing the fund's investments:

Assets (\$)	Level 1 - Unadjusted Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs	Total
Investments in Securities:				
Municipal Bonds		- 312,930,253		- 312,930,253

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.

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

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

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

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

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

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

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy.

Valuation techniques used to value the fund's investments are as follows:

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

When market quotations or official closing prices are not readily available,

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

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

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

Item 2. Controls and Procedures.

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

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

Item 3. Exhibits.

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

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 26, 2013

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 26, 2013

By: /s/ James Windels
James Windels

Treasurer

Date: February 26, 2013

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)