

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.**

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

| <b>Long-Term Municipal Investments--143.0%</b>   | <b>Coupon Rate (%)</b> | <b>Maturity Date</b> | <b>Principal Amount (\$)</b> | <b>Value (\$)</b> |
|--|------------------------|----------------------|------------------------------|-------------------|
| <b>Arizona--10.3%</b>  |                        |                      |                              |                   |
| 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           |
| <b>California--21.3%</b>   |                        |                      |                              |                   |
| California,  |                        |                      |                              |                   |

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

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|  |      |         |                |            |
|--|------|---------|----------------|------------|
| California State Public Works<br>Board, LR (The Regents of the<br>University of California)<br>(Various University of<br>California Projects)<br>Chula Vista,<br>IDR (San Diego Gas and<br>Electric Company)<br>Golden State Tobacco<br>Securitization Corporation,<br>Tobacco Settlement<br>Asset-Backed Bonds<br>Golden State Tobacco<br>Securitization Corporation,<br>Tobacco Settlement<br>Asset-Backed Bonds<br>(Prerefunded)<br>JPMorgan Chase Putters/Drivers<br>Trust (Los Angeles Departments<br>of Airports, Senior Revenue<br>(Los Angeles International<br>Airport))<br>Sacramento County,<br>Airport System Subordinate and<br>Passenger Facility Charges<br>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<br>Financing Authority, Senior<br>Sewer Revenue   | 5.25 | 5/15/34 | 1,000,000   | 1,149,910 |
| Santa Ana Community Redevelopment<br>Agency, Tax Allocation Revenue<br>(Merged Project Area)  | 6.75 | 9/1/28  | 3,000,000   | 3,682,410 |
| Tobacco Securitization Authority<br>of Southern California,<br>Tobacco Settlement<br>Asset-Backed Bonds (San Diego<br>County Tobacco Asset<br>Securitization Corporation) | 5.00 | 6/1/37  | 3,500,000   | 3,132,395 |
| Tuolumne Wind Project Authority,<br>Revenue (Tuolumne Company<br>Project)   | 5.88 | 1/1/29  | 1,500,000   | 1,784,580 |
| <b>Colorado--4.0%</b>   |      |         |             |           |
| Colorado Educational and Cultural<br>Facilities Authority, Charter<br>School Revenue (American<br>Academy Project)  | 8.00 | 12/1/40 | 1,500,000   | 1,843,710 |
| Colorado Health Facilities<br>Authority, Health Facilities<br>Revenue (The Evangelical<br>Lutheran Good Samaritan<br>Society Project) (Prerefunded)                       | 6.13 | 6/1/14  | 2,525,000 c | 2,730,005 |
| E-470 Public Highway Authority,<br><br>Senior Revenue   | 5.25 | 9/1/25  | 1,000,000   | 1,110,340 |
| E-470 Public Highway Authority,<br>Senior Revenue   | 5.38 | 9/1/26  | 1,000,000   | 1,113,690 |
| University of Colorado Regents,<br>University Enterprise Revenue  | 5.38 | 6/1/38  | 1,500,000   | 1,764,375 |
| <b>Florida--10.5%</b>   |      |         |             |           |
| Citizens Property Insurance<br>Corporation, Personal Lines<br>Account/Commercial Lines<br>Account Senior Secured Revenue  | 5.00 | 6/1/22  | 1,500,000   | 1,754,550 |
| Greater Orlando Aviation<br>Authority, Airport Facilities   |      |         |             |           |

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

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

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



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

**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 |  |  |  |  |
|---|--|--|--|--|

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

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

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

**West Virginia--.5%**

|   |      |          |           |           |
|---|------|----------|-----------|-----------|
| The County Commission of Harrison<br>County, SWDR (Allegheny Energy<br>Supply Company, LLC Harrison<br>Station Project) | 5.50 | 10/15/37 | 1,000,000 | 1,059,360 |
|---|------|----------|-----------|-----------|

**Wisconsin--.5%**

|  |  |  |  |  |
|--|--|--|--|--|
| Public Finance Agency,<br>Senior Airport Facilities<br>Revenue (Transportation<br>Infrastructure Properties, LLC |  |  |  |  |
|--|--|--|--|--|

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|---|----------------------------|--------------------------|----------------------------------|--------------------|
| Obligated Group)  | 5.00                       | 7/1/42                   | 1,000,000                        | 1,018,170          |
| <b>Wyoming--1.1%</b>  |                            |                          |                                  |                    |
| Wyoming Municipal Power Agency,<br>Power Supply System Revenue                                  | 5.50                       | 1/1/38                   | 2,000,000                        | 2,259,780          |
| <b>U.S. Related--10.1%</b>  |                            |                          |                                  |                    |
| Guam,<br>LOR (Section 30)   | 5.75                       | 12/1/34                  | 1,500,000                        | 1,684,635          |
| Puerto Rico Aqueduct and Sewer<br>Authority, Senior Lien Revenue                                | 5.13                       | 7/1/37                   | 2,500,000                        | 2,282,275          |
| Puerto Rico Commonwealth,<br>Public Improvement GO  | 5.50                       | 7/1/32                   | 1,000,000                        | 1,011,100          |
| Puerto Rico Commonwealth,<br>Public Improvement GO  | 6.50                       | 7/1/40                   | 1,000,000                        | 1,066,830          |
| Puerto Rico Electric Power<br>Authority, Power Revenue  | 5.00                       | 7/1/37                   | 1,945,000                        | 1,877,100          |
| Puerto Rico Electric Power<br>Authority, Power Revenue  | 5.50                       | 7/1/38                   | 5,400,000                        | 5,457,348          |
| Puerto Rico Electric Power<br>Authority, Power Revenue  | 5.25                       | 7/1/40                   | 1,500,000                        | 1,488,135          |
| Puerto Rico Sales Tax Financing<br>Corporation, Sales Tax Revenue<br>(First Subordinate Series) | 5.38                       | 8/1/39                   | 1,000,000                        | 1,026,590          |
| Puerto Rico Sales Tax Financing<br>Corporation, Sales Tax Revenue<br>(First Subordinate Series) | 6.00                       | 8/1/42                   | 5,500,000                        | 5,889,345          |
| <b>Total Long-Term Municipal Investments</b><br>(cost \$272,708,934)                            |                            |                          |                                  | <b>306,830,253</b> |
| <b>Short-Term Municipal<br/>Investments--2.8%</b>   | <b>Coupon<br/>Rate (%)</b> | <b>Maturity<br/>Date</b> | <b>Principal<br/>Amount (\$)</b> | <b>Value (\$)</b>  |
| <b>California--.6%</b>  |                            |                          |                                  |                    |
| California,<br>GO Notes<br>(Kindergarten-University)<br>(LOC; Citibank NA)                      | 0.10                       | 1/2/13                   | 1,200,000 d                      | 1,200,000          |
| <b>New York--2.2%</b>   |                            |                          |                                  |                    |
| New York City,<br>GO Notes (LOC; JPMorgan Chase<br>Bank)  | 0.12                       | 1/2/13                   | 1,200,000 d                      | 1,200,000          |
| New York City,<br>GO Notes (LOC; JPMorgan Chase<br>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            |
| <b>Total Short-Term Municipal Investments</b>       |      |        |                 |                      |
| (cost \$6,100,000)                                  |      |        |                 | <b>6,100,000</b>     |
| <b>Total Investments</b> (cost \$278,808,934)       |      |        | <b>145.8 %</b>  | <b>312,930,253</b>   |
| <b>Liabilities, Less Cash and Receivables</b>       |      |        | <b>(10.9 %)</b> | <b>(23,308,531 )</b> |
| <b>Preferred Stock, at redemption value</b>         |      |        | <b>(34.9 %)</b> | <b>(75,000,000 )</b> |
| <b>Net Assets Applicable to Common Shareholders</b> |      |        | <b>100.0 %</b>  | <b>214,621,722</b>   |

- 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

|              |   |                |  |
|--------------|---|----------------|--|
| <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>DRIVERS</b> | Derivative Inverse Tax-Exempt Receipts |
| <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               |

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|            |                                |               |  |
|------------|--------------------------------|---------------|--|
| <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>LIFERS</b> | Long Inverse Floating Exempt Receipts    |

|               |   |                 |  |
|---------------|---|-----------------|--|
| <b>LOC</b>    | Letter of Credit                          | <b>LOR</b>      | Limited Obligation Revenue                       |
| <b>LR</b>     | Lease Revenue                             | <b>MERLOTS</b>  | Municipal Exempt Receipt Liquidity Option Tender |
| <b>MFHR</b>   | Multi-Family Housing Revenue              | <b>MFMR</b>     | Multi-Family Mortgage Revenue                    |
| <b>PCR</b>    | Pollution Control Revenue                 | <b>P-FLOATS</b> | Puttable Floating Option Tax-Exempts Receipts    |
| <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>ROCS</b>     | Reset Option Certificates                        |
| <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>SPEARS</b> | Short Puttable Exempt Adjustable Receipts | <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, 2012 in valuing the fund's investments:

| <b>Assets (\$)</b>         | <b>Level 1 -<br/>Unadjusted Quoted<br/>Prices</b> | <b>Level 2 - Other<br/>Significant<br/>Observable<br/>Inputs</b> | <b>Level 3 -<br/>Significant<br/>Unobservable<br/>Inputs</b> | <b>Total</b>  |
|----------------------------|---|--|--|---------------|
| 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,

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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.

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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 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)