

DREYFUS MUNICIPAL INCOME INC
Form N-Q
August 27, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT
INVESTMENT COMPANY

Investment Company Act file number 811-5652

Dreyfus Municipal Income, Inc.
(Exact name of Registrant as specified in charter)

c/o The Dreyfus Corporation

200 Park Avenue

New York, New York 10166
(Address of principal executive offices) (Zip code)

Michael A. Rosenberg, Esq.

200 Park Avenue

New York, New York 10166
(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 922-6000

Date of fiscal year end: 09/30

Date of reporting period: 06/30/2010

FORM N-Q

Item 1. Schedule of Investments.

STATEMENT OF INVESTMENTS**Dreyfus Municipal Income, Inc.****June 30, 2010 (Unaudited)**

Long-Term Municipal Investments--149.8%	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Arizona--9.1%				
Barclays Capital Municipal Trust Receipts (Salt River Project Agricultural Improvement and Power District, Salt River Project Electric System Revenue)	5.00	1/1/38	10,000,000 a,b	10,441,600
City of Phoenix, County of Maricopa and the County of Pima Industrial Development Authorities, SFMR (Collateralized: FHLMC, FNMA and GNMA)	5.80	12/1/39	1,930,000	2,000,001
Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue	6.25	7/1/28	1,000,000	1,057,790
Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue	7.00	7/1/28	2,000,000	2,165,760
Pima County Industrial Development Authority, Education Revenue (American Charter Schools Foundation Project)	5.63	7/1/38	2,000,000	1,775,660
California--27.7%				
ABAG Financial Authority for Nonprofit Corporations, Insured Revenue, COP (Odd Fellows Home of California)	6.00	8/15/24	5,000,000 c	5,121,450
Barclays Capital Municipal Trust Receipts (California Infrastructure and Economic Development Bank, Revenue				

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(Sanford Consortium Project))	5.00	5/15/40	10,000,000 a,b,c	10,282,150
California, GO (Various Purpose)	5.75	4/1/31	3,950,000	4,198,731
California, GO (Various Purpose)	5.00	11/1/32	1,500,000	1,466,340
California, GO (Various Purpose)	6.50	4/1/33	3,000,000	3,360,720
California, GO (Various Purpose)	6.00	11/1/35	2,500,000	2,667,200
California Health Facilities Financing Authority, Revenue (Sutter Health)	6.25	8/15/35	2,500,000 c	2,526,500
Chabot-Las Positas Community College District, GO (Insured; AMBAC)	0.00	8/1/32	6,000,000 d	1,488,600
Chula Vista, IDR (San Diego Gas and Electric Company)	5.88	2/15/34	2,000,000	2,209,400
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	4.50	6/1/27	4,975,000	4,254,719
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/33	2,500,000	1,907,550
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	5.75	6/1/47	3,500,000	2,517,550
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds (Prerefunded)	7.80	6/1/13	3,000,000 e	3,568,530
Sacramento County, Airport System Subordinate and Passenger Facility Charges				

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Grant Revenue	6.00	7/1/35	2,250,000	2,444,783
San Diego Public Facilities Financing Authority, Senior				

Sewer Revenue	5.25	5/15/34	1,000,000	1,063,360
San Francisco City and County Public Utilities Commission, San Francisco Water Revenue	5.00	11/1/29	2,210,000	2,376,192
Tuolumne Wind Project Authority, Revenue (Tuolumne Company Project)	5.88	1/1/29	1,500,000	1,636,635

Colorado--4.7%

Colorado Educational and Cultural Facilities Authority, Charter School Revenue (American Academy Project)	8.00	12/1/40	1,500,000	1,782,375
Colorado Health Facilities Authority, Health Facilities Revenue (The Evangelical Lutheran Good Samaritan Society Project)	6.13	6/1/38	2,525,000 c	2,575,374
Colorado Springs, HR	6.38	12/15/30	2,890,000 c	2,933,119
University of Colorado Regents, University Enterprise Revenue	5.38	6/1/38	1,500,000	1,608,600

District of Columbia--.3%

District of Columbia, Revenue (Catholic University America Project) (Insured; AMBAC)	5.63	10/1/29	475,000	479,959
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Florida--4.6%

Greater Orlando Aviation Authority, Airport Facilities Revenue	6.25	10/1/20	3,980,000	4,544,802
Orange County School Board, COP (Master Lease Purchase Agreement) (Insured; Assured Guaranty Municipal Corp.)	5.50	8/1/34	2,000,000	2,133,900
South Lake County Hospital				

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District, Revenue (South Lake Hospital, Inc.)	5.80	10/1/34	1,095,000 c	1,106,957
South Lake County Hospital District, Revenue (South Lake Hospital, Inc.)	6.25	4/1/39	1,000,000 c	1,029,610

Georgia--2.7%

Atlanta, Water and Wastewater Revenue	6.00	11/1/28	3,000,000	3,239,970
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Atlanta, Water and Wastewater Revenue (Insured; Assured Guaranty Municipal Corp.)	5.25	11/1/34	1,750,000	1,819,265
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Hawaii--1.1%

Hawaii, Airports System Revenue	5.25	7/1/26	2,000,000	2,121,400
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Illinois--1.1%

Chicago, GO (Insured; National Public Finance Guarantee Corp.) (Prerefunded)	6.13	7/1/10	315,000 e	318,200
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Illinois Finance Authority, Revenue (Sherman Health Systems)	5.50	8/1/37	2,000,000 c	1,827,020
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Louisiana--.6%

Louisiana Public Facilities Authority, Revenue (CHRISTUS Health Obligated Group)	6.13	7/1/29	1,000,000 c	1,068,050
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Maryland--3.2%

Maryland Economic Development Corporation, EDR (Transportation Facilities Project)	5.75	6/1/35	1,000,000	1,021,170
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Maryland Economic Development Corporation, PCR (Potomac Electric Project)	6.20	9/1/22	2,500,000	2,865,875
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Maryland Economic Development Corporation, Student Housing Revenue (University of				
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Maryland, College Park Project) (Prerefunded)	5.63	6/1/13	2,000,000 e	2,278,640
Massachusetts--18.9%				
Barclays Capital Municipal Trust Receipts (Massachusetts Health and Educational Facilities Authority, Revenue (Harvard University Issue))	5.00	12/15/34	10,000,000 a,b	10,817,800
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	10,571,100
Massachusetts Development Finance Agency, SWDR (Dominion Energy Brayton Point Issue)	5.00	2/1/36	3,000,000	2,779,680
Massachusetts Health and Educational Facilities Authority, Healthcare System Revenue (Covenant Health Systems Obligated Group Issue)	6.00	7/1/31	1,970,000	2,006,445
Massachusetts Health and Educational Facilities Authority, Healthcare System Revenue (Covenant Health Systems Obligated Group Issue) (Prerefunded)	6.00	1/1/12	530,000 e	579,311
Massachusetts Health and Educational Facilities Authority, Revenue (Suffolk University Issue)	6.25	7/1/30	2,000,000	2,152,420
Massachusetts Housing Finance Agency, Rental Housing Mortgage Revenue (Insured; AMBAC)	5.50	7/1/40	2,230,000	1,883,369
Massachusetts Industrial Finance Agency, Water Treatment				

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Revenue

(Massachusetts-American
Hingham Project)

6.95

12/1/35

5,235,000

5,235,105

Michigan--7.0%

Detroit,
Sewage Disposal System Senior
Lien Revenue (Insured; Assured
Guaranty Municipal Corp.)
Michigan Hospital Finance
Authority, HR (Henry Ford

7.50

7/1/33

2,140,000

2,575,747

Health System)
Michigan Strategic Fund,
SWDR (Genesee Power Station
Project)

5.00

11/15/38

1,515,000 c

1,339,533

Royal Oak Hospital Finance
Authority, HR (William
Beaumont Hospital Obligated
Group)

7.50

1/1/21

4,185,000

3,816,971

Wayne County Airport Authority,
Airport Revenue (Detroit
Metropolitan Wayne County
Airport) (Insured; National
Public Finance Guarantee Corp.)

8.00

9/1/29

2,500,000 c

2,981,050

Wayne County Airport Authority,
Airport Revenue (Detroit
Metropolitan Wayne County
Airport) (Insured; National
Public Finance Guarantee Corp.)

5.00

12/1/34

3,000,000

2,600,640

Minnesota--2.3%

Minneapolis,
Health Care System Revenue
(Fairview Health Services)

6.75

11/15/32

3,000,000 c

3,351,090

Minnesota Agricultural and
Economic Development Board,
Health Care Facilities Revenue
(Essentia Health Obligated
Group) (Insured; Assured
Guaranty Municipal Corp.)

5.00

2/15/37

1,000,000

1,019,630

Minnesota Agricultural and
Economic Development Board,
Health Care System Revenue
(Fairview Health Care Systems)

6.38

11/15/29

80,000 c

81,014

Mississippi--3.2%

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Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project)	5.88	4/1/22	6,000,000	6,015,600
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Missouri--.0%

Missouri Housing Development Commission, SFMR (Homeownership Loan Program) (Collateralized: FNMA and GNMA)	6.30	9/1/25	85,000	86,737
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Nevada--2.1%

Clark County, IDR (Southwest Gas Corporation Project) (Insured; AMBAC)	6.10	12/1/38	4,000,000	4,020,760
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New Hampshire--1.1%

New Hampshire Business Finance Authority, PCR (Public Service Company of New Hampshire Project) (Insured; AMBAC)	6.00	5/1/21	2,135,000	2,158,079
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New Jersey--2.5%

New Jersey Economic Development Authority, Water Facilities Revenue (New Jersey - American Water Company, Inc. Project)	5.70	10/1/39	2,000,000	2,033,160
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New Jersey Higher Education Student Assistance Authority, Student Loan Revenue (Insured; Assured Guaranty Municipal Corp.)	6.13	6/1/30	2,500,000	2,645,100
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New Mexico--1.6%

Farmington, PCR (Public Service Company of New Mexico San Juan Project)	5.90	6/1/40	3,000,000	3,004,290
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New York--1.7%

Long Island Power Authority, Electric System General Revenue	5.00	9/1/27	1,500,000	1,533,840
New York City Industrial Development Agency, PILOT Revenue (Yankee Stadium Project) (Insured; Assured				

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Guaranty Municipal Corp.)	7.00	3/1/49	1,435,000	1,665,016
North Carolina--3.2%				
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,c	5,149,675
North Carolina Housing Finance				
Agency, Home Ownership Revenue	6.25	1/1/29	865,000	865,882
Ohio--2.1%				
Ohio Air Quality Development				
Authority, Air Quality Revenue				
(Ohio Valley Electric				
Corporation Project)	5.63	10/1/19	2,100,000	2,245,866
Toledo-Lucas County Port				
Authority, Special Assessment				
Revenue (Crocker Park Public				
Improvement Project)	5.38	12/1/35	2,000,000	1,732,940
Pennsylvania--4.1%				
Lancaster Higher Education				
Authority, College Revenue				
(Franklin and Marshall College				
Project)	5.00	4/15/37	2,000,000	2,037,320
Pennsylvania Economic Development				
Financing Authority, RRR				
(Northampton Generating				
Project)	6.60	1/1/19	3,500,000	1,968,120
Pennsylvania Turnpike Commission,				
Turnpike Subordinate Revenue	5.25	6/1/39	2,000,000	2,089,700
Sayre Health Care Facilities				
Authority, Revenue (Guthrie				
Health)	5.88	12/1/31	1,755,000 c	1,781,518
Rhode Island--1.0%				
Tobacco Settlement Financing				
Corporation of Rhode Island,				
Tobacco Settlement				
Asset-Backed Bonds	6.13	6/1/32	2,000,000	1,944,700
South Carolina--6.7%				

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Authority, Improvement Revenue (Lubbock Christian University)	5.25	11/1/37	1,500,000	1,428,855
North Texas Tollway Authority, First Tier System Revenue (Insured; Assured Guaranty Municipal Corp.)	5.75	1/1/40	4,000,000	4,302,200
North Texas Tollway Authority, Second Tier System Revenue	5.75	1/1/38	4,000,000	4,180,680
Utah--0.0%				
Utah Housing Finance Agency, SFMR (Collateralized; FHA)	6.00	1/1/31	50,000	50,247
Vermont--1.0%				
Vermont Educational and Health Buildings Financing Agency, Revenue (Saint Michael's College Project)	6.00	10/1/28	1,500,000	1,555,305
Vermont Housing Finance Agency, SFHR (Insured; Assured				
Guaranty Municipal Corp.)	6.40	11/1/30	255,000	260,330
Virginia--1.2%				
Washington County Industrial Development Authority, HR (Mountain States Health Alliance)	7.25	7/1/19	2,000,000 c	2,302,200
Washington--4.3%				
Washington Health Care Facilities Authority, Mortgage Revenue (Highline Medical Center) (Collateralized; FHA)	6.25	8/1/36	3,000,000 c	3,242,610
Washington Health Care Facilities Authority, Revenue (Catholic Health Initiatives)	6.38	10/1/36	1,500,000 c	1,653,915
Washington Housing Finance Commission, Revenue (Single-Family Program) (Collateralized: FHLMC, FNMA and GNMA)	5.15	6/1/37	3,160,000	3,213,594
West Virginia--1.8%				

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The County Commission of Harrison County, SWDR (Allegheny Energy Supply Company, LLC Harrison Station Project)	5.50	10/15/37	1,000,000	965,680
The County Commission of Pleasants County, PCR (Allegheny Energy Supply Company, LLC Pleasants Station Project)	5.25	10/15/37	2,500,000	2,457,075
Wisconsin--4.1%				
Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds (Prerefunded)	7.00	6/1/12	2,500,000 e	2,796,775
Wisconsin Health and Educational Facilities Authority, Revenue (Aurora Health Care, Inc.)	5.60	2/15/29	4,975,000 c	4,940,523
Wyoming--1.9%				
Sweetwater County, SWDR (FMC Corporation Project)	5.60	12/1/35	1,500,000	1,470,450
Wyoming Municipal Power Agency, Power Supply System Revenue	5.50	1/1/38	2,000,000	2,096,320
U.S. Related--10.4%				
Government of Guam, LOR (Section 30)	5.75	12/1/34	1,500,000	1,538,295
Puerto Rico Commonwealth, Public Improvement GO	5.50	7/1/32	1,000,000	1,018,450
Puerto Rico Commonwealth, Public Improvement GO	6.00	7/1/39	1,500,000	1,587,615
Puerto Rico Electric Power Authority, Power Revenue	5.00	7/1/37	1,945,000	1,897,153
Puerto Rico Electric Power Authority, Power Revenue	5.50	7/1/38	5,400,000	5,515,560
Puerto Rico Electric Power Authority, Power Revenue	5.25	7/1/40	1,500,000	1,508,115
Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series)	5.38	8/1/39	1,000,000	1,004,040

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Puerto Rico Sales Tax Financing

Corporation, Sales Tax Revenue

(First Subordinate Series)	6.00	8/1/42	5,500,000	5,847,875
Total Investments (cost \$275,999,066)			149.8%	285,545,870
Liabilities, Less Cash and Receivables			(10.4%)	(19,871,902)
Preferred Stock, at redemption value			(39.4%)	(75,000,000)
Net Assets Applicable to Common Shareholders			100.0%	190,673,968

- 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 June 30, 2010, these securities had a total market value of \$52,576,475 or 27.6% of net assets applicable to Common Shareholders.
- c At June 30, 2010, the fund had \$57,218,478 or 30.0% of net assets applicable to common shareholders invested in securities whose payment of principal interest is dependent upon revenues generated from health care.
- d Security issued with a zero coupon. Income is recognized through the accretion of discount.
- e 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.

At June 30, 2010, the aggregate cost of investment securities for income tax purposes was \$275,999,066. Net unrealized appreciation on investments was \$9,546,804 of which \$13,843,358 related to appreciated investment securities and \$4,296,554 related to depreciated investment securities.

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	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	GIC	Guaranteed Investment Contract
GNMA	Government National Mortgage Association	GO	General Obligation
HR	Hospital Revenue	IDB	Industrial Development Board
IDC	Industrial Development Corporation	IDR	Industrial Development Revenue
LOC	Letter of Credit	LOR	Limited Obligation Revenue
LR	Lease Revenue	MFHR	Multi-Family Housing Revenue
MFMR	Multi-Family Mortgage Revenue	PCR	Pollution Control Revenue

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PILOT	Payment in Lieu of Taxes	PUTTERS	Puttable Tax-Exempt Receipts
RAC	Revenue Anticipation Certificates	RAN	Revenue Anticipation Notes
RAW	Revenue Anticipation Warrants	RRR	Resources Recovery Revenue
SAAN	State Aid Anticipation Notes	SBPA	Standby Bond Purchase Agreement
SFHR	Single Family Housing Revenue	SFMR	Single Family Mortgage Revenue
SONYMA	State of New York Mortgage Agency	SWDR	Solid Waste Disposal Revenue
TAN	Tax Anticipation Notes	TAW	Tax Anticipation Warrants
TRAN	Tax and Revenue Anticipation Notes	XLCA	XL Capital Assurance

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.

The following is a summary of the inputs used as of June 30, 2010 in valuing the fund's investments:

	Level 1 - Unadjusted	Level 2 - Other Significant	Level 3 -Significant Unobservable	
Assets (\$)	Quoted Prices	Observable Inputs	Inputs	Total
Investments in Securities:				
Municipal Bonds	-	285,545,870	-	285,545,870

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: Investments in municipal debt securities are valued on the last business day of each week and month by an independent pricing service (the Service) approved by the Board of Directors. Investments for which quoted bid prices are readily available and are representative of the bid side of the market in the judgment of the Service are valued at the mean between the quoted bid prices (as obtained by the Service from dealers in such securities) and asked prices (as calculated by the Service based upon its evaluation of the market for such securities). Other investments (which constitute a majority of the portfolio securities) are carried at fair value as determined by the Service, based on methods which include consideration of: yields or prices of municipal securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. Options and financial futures on municipal and U.S.Treasury securities are valued at the last sales price on the securities exchange

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on which such securities are primarily traded or at the last sales price on the national securities market on the last business day of each week and month.

The fund adopted the provisions of ASC Topic 815 Derivatives and Hedging which requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The fund held no derivatives during the period ended June 30, 2010. These disclosures did not impact the notes to the financial statements.

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: August 23, 2010

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: August 23, 2010

By: /s/ James Windels
James Windels

Treasurer

Date: August 23, 2010

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)

