

DREYFUS MUNICIPAL INCOME INC  
Form N-CSRS  
May 25, 2017

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

Investment Company Act file number      811-05652

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)

Bennett A. MacDougall, Esq.

200 Park Avenue

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

Registrant's telephone number, including area code:      (212) 922-6400

Date of fiscal year end:      9/30

Date of reporting period:      3/31/17

**FORM N-CSR**

**Item 1. Reports to Stockholders.**

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Dreyfus Municipal Income, Inc.

## SEMIANNUAL REPORT

March 31, 2017

### **Dreyfus Municipal Income, Inc.**

#### **Protecting Your Privacy Our Pledge to You**

**THE FUND IS COMMITTED TO YOUR PRIVACY.** On this page, you will find the Fund's policies and practices for collecting, disclosing, and safeguarding "nonpublic personal information," which may include financial or other customer information. These policies apply to individuals who purchase Fund shares for personal, family, or household purposes, or have done so in the past. This notification replaces all previous statements of the Fund's consumer privacy policy, and may be amended at any time. We'll keep you informed of changes as required by law.

**YOUR ACCOUNT IS PROVIDED IN A SECURE ENVIRONMENT.** The Fund maintains physical, electronic and procedural safeguards that comply with federal regulations to guard nonpublic personal information. The Fund's agents and service providers have limited access to customer information based on their role in servicing your account.

**THE FUND COLLECTS INFORMATION IN ORDER TO SERVICE AND ADMINISTER YOUR ACCOUNT.** The Fund collects a variety of nonpublic personal information, which may include:

- Information we receive from you, such as your name, address, and social security number.
- Information about your transactions with us, such as the purchase or sale of Fund shares.
- Information we receive from agents and service providers, such as proxy voting information.

**THE FUND DOES NOT SHARE NONPUBLIC PERSONAL INFORMATION WITH ANYONE, EXCEPT AS PERMITTED BY LAW.**

*Thank you for this opportunity to serve you.*

The views expressed in this report reflect those of the portfolio manager(s) only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any

time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

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## **Dreyfus Municipal Income, Inc.**

The Fund

### A LETTER FROM THE CEO OF DREYFUS

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Municipal Income, Inc., covering the six-month period from October 1, 2016 through March 31, 2017. For information about how the fund performed during the reporting period, as well as general market perspectives, we provide a Discussion of Fund Performance on the pages that follow.

Stocks advanced solidly but bonds lost a degree of value over the reporting period amid heightened market volatility stemming from various economic and political developments. After previously rallying in response to stabilizing commodity prices, improving global economic data, and better-than-expected corporate earnings, stocks and corporate-backed bonds generally gave back a portion of their gains in October due to uncertainty in advance of U.S. elections. Meanwhile, prices of U.S. government securities began to decline in anticipation of higher inflation and short-term interest-rate hikes from U.S. monetary policymakers. After the election in early November, equity markets rallied to a series of new highs as investors revised their expectations for U.S. fiscal, regulatory, and tax policies. In the bond market, yields surged higher and prices fell after the election, while lower rated corporate-backed bonds

continued to advance in anticipation of a more business-friendly political climate.

Some asset classes and industry groups seem likely to continue to benefit from a changing economic and geopolitical landscape, while others probably will face challenges as conditions evolve. Consequently, selectivity seems likely to be an important determinant of investment success in the months ahead. As always, we encourage you to discuss the implications of our observations with your financial advisor.

Thank you for your continued confidence and support.

Sincerely,

Mark D. Santero

Chief Executive Officer

The Dreyfus Corporation

April 17, 2017

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## DISCUSSION OF FUND PERFORMANCE

*For the period from October 1, 2016 through March 31, 2017, as provided by Daniel Rabasco and Jeffrey Burger, Primary Portfolio Managers*

### **Market and Fund Performance Overview**

For the six-month period ended March 31, 2017, Dreyfus Municipal Income, Inc. produced a total return of -3.26% on a net-asset-value basis.<sup>1</sup> Over the same period, the fund provided aggregate income dividends of \$0.246 per share, which reflects a distribution rate of 5.52%.<sup>2</sup>

Municipal bonds generally produced moderate losses during the reporting period amid rising interest rates, changing supply-and-demand dynamics, and political uncertainty. The fund's relatively long duration increased its sensitivity to market volatility.

### **The Fund's Investment Approach**

The fund seeks to maximize current income exempt from federal income tax to the extent consistent with the preservation of capital. Under normal market conditions, the fund invests at least 80% of the value of its net assets in municipal obligations and invests in municipal obligations which, at the time of purchase, are rated investment grade or the unrated equivalent as determined by The Dreyfus Corporation in the case of bonds, and rated in the two highest rating categories or the unrated equivalent as determined by Dreyfus in the case of short-term obligations having, or deemed to have, maturities of less than one year.

To this end, we have constructed a portfolio derived from seeking income opportunities through analysis of each bond's structure, including paying close attention to each bond's yield, maturity, and early redemption features. Over

time, many of the fund's relatively higher-yielding bonds mature or are redeemed by their issuers, and we generally attempt to replace those bonds with investments consistent with the fund's investment policies, albeit with yields that reflect the then-current interest-rate environment. When making new investments, we focus on identifying undervalued sectors and securities, and we minimize the use of interest-rate forecasting. We use fundamental analysis to estimate the relative value and attractiveness of various sectors and securities and to exploit pricing inefficiencies in the municipal bond market.

### **Political and Technical Factors Fueled Market Volatility**

After municipal bonds produced generally strong returns earlier in 2016, volatility began to increase near the start of the reporting period when issuers came to market with a flood of new securities in anticipation of a short-term interest-rate hike from the Federal Reserve Board. Market declines accelerated in November after the unexpected election of a new presidential administration, which sparked uncertainty regarding potential changes in tax policy. Municipal bonds subsequently recouped some of their previous losses when supply-and-demand imbalances moderated and investors recognized that tax reform will take time and political capital to enact. However, better market performance later in the reporting period was not enough to fully offset earlier weakness.

Credit conditions remained sound for most municipal bond issuers. Several states and municipalities are facing pressure from underfunded pension systems, but most have benefited from rising tax revenues and balanced operating budgets.

### **Emphasis on Income Helped Cushion Market Declines**

The fund's performance over the reporting period was supported by its emphasis on income, as higher-yielding holdings helped cushion the impact of price declines early in the reporting period.

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### **DISCUSSION OF FUND PERFORMANCE *(continued)***

The fund achieved especially strong results through its focus on revenue-backed bonds from hospitals, airports, and the states' settlement of litigation with U.S. tobacco companies.

On the other hand, the fund's results were constrained to a degree by its average duration, which we had set in a position that we consider modestly long compared to market averages. Although this positioning helped the fund capture higher yields and participate more fully in the market rally later in the reporting period, it made the fund more sensitive to rising interest rates during the sharp sell-off in November. In addition, the fund's emphasis on higher-quality municipal bonds, including underweighted exposure to securities rated at the lower end of the investment-grade range, limited the fund's participation in some of the stronger areas of the market. The fund's leveraging strategy magnified these shortfalls.

### **Near-Term Challenges May Create Long-Term Opportunities**

The national municipal bond market recently has shown signs of renewed strength. Investors who may have overreacted to the tax implications of the presidential election appear to have adopted a more balanced perspective. However, we are aware that seasonal factors tend to weigh on market averages in the spring, when selling pressure increases to raise cash for income tax payments. Therefore, we are watchful for tactical opportunities to take advantage of bouts of market volatility to purchase municipal bonds from fundamentally sound issuers at attractive prices.

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As of the end of the reporting period, we have maintained the fund's emphasis on income through investments in higher-yielding, higher-quality, revenue-backed municipal bonds. We also have retained relatively light exposure to general obligation bonds, particularly from states and municipalities that are struggling with public pension funding shortfalls. We have continued to set the fund's average duration in a modestly long position.

April 17, 2017

*Bonds are subject generally to interest-rate, credit, liquidity, and market risks, to varying degrees. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes, and rate increases can cause price declines. The use of leverage may magnify the fund's gains or losses. For derivatives with a leveraging component, adverse changes in the value or level of the underlying asset can result in a loss that is much greater than the original investment in the derivative.*

<sup>1</sup> *Total return includes reinvestment of dividends and any capital gains paid, based upon net asset value per share. Past performance is no guarantee of future results. Market price per share, net asset value per share, and investment return fluctuate. Income may be subject to state and local taxes, and some income may be subject to the federal alternative minimum tax (AMT) for certain investors. Capital gains, if any, are fully taxable.*

<sup>2</sup> *Distribution rate per share is based upon dividends per share paid from net investment income during the period (annualized), divided by the market price per share at the end of the period, adjusted for any capital gain distributions.*

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STATEMENT OF INVESTMENTS

March 31, 2017 (Unaudited)

Long-Term Municipal Investments - 151.2%	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Alabama - 3.1%</b>				
Jefferson County, Sewer Revenue Warrants	0/7.75	10/1/46	4,000,000	a 3,039,280
Lower Alabama Gas District, Gas Project Revenue	5.00	9/1/46	2,500,000	2,949,325
				<b>5,988,605</b>
<b>Arizona - 8.3%</b>				
La Paz County Industrial Development Authority, Education Facility LR (Charter Schools Solutions-Harmony Public Schools Project)	5.00	2/15/46	1,500,000	b 1,542,495
Pima County Industrial Development Authority, Education Revenue (American Charter Schools Foundation Project)	5.63	7/1/38	200,000	191,038
Pinal County Electrical District Number 4, Electric System Revenue (Prerefunded)	6.00	12/1/18	1,300,000	c 1,406,730
	5.00	12/1/37	2,190,000	2,543,159

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Salt Verde Financial Corporation, Senior Gas Revenue Tender Option Bond Trust Receipts (Series 2016-XM0447), (Salt River Project Agricultural Improvement and Power District, Salt River Project Electric System Revenue) Recourse	5.00	1/1/38	9,998,763	b,d 10,309,713
				<b>15,993,135</b>
<b>California - 22.3%</b>				
California, GO (Various Purpose)	5.75	4/1/31	3,950,000	4,319,799
California, GO (Various Purpose)	6.00	3/1/33	1,250,000	1,411,850
California, GO (Various Purpose)	6.50	4/1/33	3,000,000	3,320,250
California, GO (Various Purpose)	6.00	11/1/35	2,500,000	2,808,850
Sacramento County, Airport System Subordinate and Passenger Facility Charges Grant Revenue	6.00	7/1/35	2,250,000	2,379,353
Santa Ana Community Redevelopment Agency, Tax Allocation Revenue (Merged Project Area)	6.75	9/1/28	3,000,000	3,498,090
Tender Option Bond Trust Receipts (Series 2016-XM0371), (Los Angeles Department of Airports, Senior Revenue (Los Angeles International Airport)) Non-recourse	5.25	5/15/18	10,000,000	b,d 11,213,800

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*STATEMENT OF INVESTMENTS (Unaudited) (continued)*

<b>Long-Term Municipal Investments - 151.2% (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>California - 22.3% (continued)</b>				
Tender Option Bond Trust Receipts (Series 2016-XM0387), (Los Angeles Department of Airports, Senior Revenue (Los Angeles International Airport)) Non-recourse	5.00	5/15/21	4,000,000	b,d 4,432,480
Tender Option Bond Trust Receipts (Series 2016-XM0390), (The Regents of the University of California, General Revenue) Non-recourse	5.00	5/15/21	3,750,000	b,d 4,274,475
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	3,499,895
Tuolumne Wind Project Authority, Revenue (Tuolumne Company Project) (Prerefunded)	5.88	1/1/19	1,500,000	c 1,626,510
				<b>42,785,352</b>
<b>Colorado - 6.7%</b>				
Colorado Educational and Cultural Facilities Authority, Charter School Revenue (American Academy Project) (Prerefunded)	8.00	12/1/18	1,500,000	c 1,699,245
	5.25	9/1/25	1,000,000	1,085,850



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E-470 Public Highway Authority, Senior Revenue				
E-470 Public Highway Authority, Senior Revenue	5.38	9/1/26	1,000,000	1,085,980
Tender Option Bond Trust Receipts (Series 2016-XM0385), (Board of Governors of the Colorado State University, System Enterprise Revenue) Non-recourse	5.00	3/1/20	2,550,000	b,d 2,834,427
Tender Option Bond Trust Receipts (Series 2016-XM0433), (Colorado Springs, Utilities System Improvement Revenue) Recourse	5.00	11/15/43	4,000,000	b,d 4,533,600
University of Colorado Regents, University Enterprise Revenue (Prerefunded)	5.38	6/1/19	1,500,000	c 1,635,600
				<b>12,874,702</b>

**Connecticut - 1.4%**

Connecticut Health and Educational Facilities Authority, Revenue (Trinity Health Credit Group)	5.00	12/1/45	2,500,000	<b>2,752,625</b>
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**District of Columbia - 4.1%**

Tender Option Bond Trust Receipts (Series 2016-XM0437), (District of Columbia, Income Tax Secured Revenue) Recourse	5.00	12/1/35	6,999,163	b,d <b>7,932,543</b>
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**Florida - 7.1%**

Davie, Educational Facilities Revenue (Nova Southeastern University Project)	5.63	4/1/43	1,000,000	1,109,540
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**Long-Term Municipal Investments - 151.2% (continued)**

	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Florida - 7.1% (continued)</b>				
Greater Orlando Aviation Authority, Airport Facilities Revenue	6.25	10/1/20	3,980,000	4,440,605
Halifax Hospital Medical Center, HR	4.00	6/1/41	1,000,000	986,220
Mid-Bay Bridge Authority, Springing Lien Revenue (Prerefunded)	7.25	10/1/21	2,500,000	c 3,109,675
Saint Johns County Industrial Development Authority, Revenue (Presbyterian Retirement Communities Project) (Prerefunded)	5.88	8/1/20	2,500,000	c 2,864,650
South Lake County Hospital District, Revenue (South Lake Hospital, Inc.)	6.25	4/1/39	1,000,000	1,075,760
				<b>13,586,450</b>
<b>Georgia - 2.6%</b>				
Atlanta, Water and Wastewater Revenue (Prerefunded)	6.00	11/1/19	3,000,000	c 3,368,400
Atlanta Development Authority, Senior Lien Revenue (New Downtown Atlanta Stadium Project)	5.25	7/1/40	1,500,000	1,714,320
				<b>5,082,720</b>
<b>Hawaii - 1.4%</b>				
Hawaii Department of Budget and Finance, Special Purpose Revenue (Hawaiian Electric Company, Inc. and	6.50	7/1/39	2,400,000	<b>2,602,056</b>

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Subsidiary Projects)

**Illinois - 14.9%**

Chicago, General Airport Third Lien Revenue (Chicago O'Hare International Airport)	5.63	1/1/35	1,000,000	1,121,830
Chicago, GO (Project and Refunding Series)	6.00	1/1/38	2,000,000	2,082,140
Chicago, Second Lien Wastewater Transmission Revenue	5.00	1/1/39	1,100,000	1,169,597
Chicago, Second Lien Water Revenue	5.00	11/1/28	1,000,000	1,101,210
Chicago, Second Lien Water Revenue (Insured; AMBAC)	5.00	11/1/32	2,000,000	2,005,820
Chicago Transit Authority, Second Lien Sales Tax Receipts Revenue	5.00	12/1/46	2,000,000	2,132,480
Metropolitan Pier and Exposition Authority, Dedicated Tax Revenue (Capital Appreciation-McCormick Place Expansion Project) (Insured; MBIA Insurance Corporation)	0.00	12/15/36	2,500,000	e980,825
Metropolitan Pier and Exposition Authority, Revenue (McCormick Place Expansion Project)	5.00	12/15/28	1,500,000	1,569,315
Metropolitan Pier and Exposition Authority, Revenue (McCormick Place Expansion Project)	5.00	6/15/53	2,500,000	2,520,800
Railsplitter Tobacco Settlement Authority, Tobacco Settlement Revenue	6.00	6/1/28	2,000,000	2,274,000

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*STATEMENT OF INVESTMENTS (Unaudited) (continued)*

<b>Long-Term Municipal Investments - 151.2% (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Illinois - 14.9% (continued)</b>				
Tender Option Bond Trust Receipts (Series 2016-XM0378), (Greater Chicago Metropolitan Water Reclamation District, GO Capital Improvement Bonds) Non-recourse	5.00	12/1/19	2,500,000	b,d2,760,525
Tender Option Bond Trust Receipts (Series 2017-XM0492), (Illinois Finance Authority, Revenue (The University of Chicago)) Non-recourse	5.00	10/1/40	7,000,000	b,d7,826,280
University of Illinois Board of Trustees, Auxiliary Facilities System Revenue	5.13	4/1/36	1,000,000	1,076,800
				<b>28,621,622</b>
<b>Iowa - .9%</b>				
Iowa Student Loan Liquidity Corporation, Student Loan Revenue	5.75	12/1/28	1,710,000	<b>1,825,972</b>
<b>Louisiana - 1.0%</b>				
Louisiana Public Facilities Authority, Revenue (CHRISTUS Health Obligated Group)	6.13	7/1/29	1,000,000	1,090,970

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Louisiana Public Facilities Authority, Revenue (Entergy Louisiana, LLC Project)	3.50	6/1/30	800,000	801,816
				<b>1,892,786</b>
<b>Maine - .7%</b>				
Maine Health and Higher Educational Facilities Authority, Revenue (Maine General Medical Center Issue)	7.50	7/1/32	1,250,000	<b>1,418,025</b>
<b>Maryland - 4.0%</b>				
Maryland Economic Development Corporation, EDR (Transportation Facilities Project)	5.75	6/1/35	1,000,000	1,075,230
Maryland Economic Development Corporation, PCR (Potomac Electric Project)	6.20	9/1/22	2,500,000	2,739,150
Maryland Health and Higher Educational Facilities Authority, Revenue (Adventist HealthCare Issue)	5.50	1/1/46	1,500,000	1,662,195
Tender Option Bond Trust Receipts (Series 2016-XM0391), (Mayor and City Council of Baltimore, Project Revenue (Water Projects)) Non-recourse	5.00	7/1/21	2,000,000	b,d 2,226,530
				<b>7,703,105</b>
<b>Massachusetts - 5.1%</b>				
Massachusetts Development Finance Agency, Revenue (Tufts Medical Center Issue)	7.25	1/1/32	1,500,000	1,748,190
Massachusetts Educational Financing Authority, Education Loan Revenue (Issue K)	5.25	7/1/29	1,660,000	1,812,322
Massachusetts Health and Educational Facilities Authority, Revenue (Suffolk University Issue)	6.25	7/1/30	2,000,000	2,192,540

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<b>Long-Term Municipal Investments - 151.2% (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Massachusetts - 5.1% (continued)</b>				
Tender Option Bond Trust Receipts (Series 2016-XM0386), (University of Massachusetts Building Authority, Project and Refunding Revenue) Non-recourse	5.00	5/1/21	3,698,335	b,d 4,128,515
				<b>9,881,567</b>
<b>Michigan - 5.0%</b>				
Detroit, Water Supply System Senior Lien Revenue	5.00	7/1/31	1,500,000	1,611,360
Detroit, Water Supply System Senior Lien Revenue	5.00	7/1/36	3,000,000	3,210,390
Michigan Finance Authority, Local Government Loan Program Revenue (Detroit Water and Sewerage Department, Water Supply System Revenue Senior Lien Local Project Bonds) (Insured; National Public Finance Guarantee Corp.)	5.00	7/1/36	500,000	545,290
Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	1,600,000	1,558,912
Royal Oak Hospital Finance Authority, HR (William Beaumont Hospital Obligated Group) (Prerefunded)	8.00	9/1/18	2,500,000	c 2,744,000

**9,669,952****Minnesota - 2.4%**

Minneapolis, Health Care System Revenue (Fairview Health Services) (Prerefunded)	6.75	11/15/18	3,000,000	c	3,274,800
Saint Paul Housing and Redevelopment Authority, Hospital Facility Revenue (HealthEast Care System Project)	5.00	11/15/44	1,200,000		1,259,040

**4,533,840****Mississippi - 2.3%**

Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project)	5.88	4/1/22	2,200,000		2,209,636
Warren County, Gulf Opportunity Zone Revenue (International Paper Company Project)	5.38	12/1/35	2,000,000		2,205,140

**4,414,776****Missouri - 1.1%**

Missouri Health and Educational Facilities Authority, Revenue (Lutheran Senior Services Projects)	5.00	2/1/46	2,000,000		<b>2,097,380</b>
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**Nebraska - .6%**

Douglas County Hospital Authority, Revenue (Childrens Hospital Obligation Group)	5.00	11/15/36	1,000,000		<b>1,123,260</b>
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**9****STATEMENT OF INVESTMENTS (Unaudited) (continued)**

<b>Long-Term Municipal Investments - 151.2% (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>New Jersey - 5.1%</b>				
New Jersey Economic Development Authority, Revenue	5.25	6/15/27	1,000,000	1,052,200
New Jersey Economic Development Authority, School Facilities Construction Revenue	5.25	6/15/40	1,250,000	1,271,563
New Jersey Economic Development Authority, Water Facilities Revenue (New Jersey - American Water Company, Inc. Project)	5.70	10/1/39	2,000,000	2,180,720
New Jersey Higher Education Student Assistance Authority, Student Loan Revenue (Insured; Assured Guaranty Corp.)	6.13	6/1/30	1,610,000	1,668,910
New Jersey Transportation Trust Fund Authority, Transportation Program Revenue	5.25	6/15/33	1,000,000	1,026,740
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/29	2,500,000	2,508,925
				<b>9,709,058</b>
<b>New Mexico - 1.7%</b>				
Farmington, PCR (Public Service Company of New Mexico San Juan Project)	5.90	6/1/40	3,000,000	<b>3,319,200</b>
<b>New York - 12.3%</b>				
New York City Educational Construction Fund, Revenue	6.50	4/1/28	1,500,000	1,773,795

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New York City Industrial Development Agency, PILOT Revenue (Yankee Stadium Project) (Insured; Assured Guaranty Corp.)	7.00	3/1/49	1,435,000	1,588,287
New York Transportation Development Corporation, Special Facility Revenue (LaGuardia Airport Terminal B Redevelopment Project)	5.00	7/1/46	1,500,000	1,594,080
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	1,691,940
Tender Option Bond Trust Receipts (Series 2016-XM0436), (New York City Municipal Water Finance Authority, Water and Sewer System Second General Resolution Revenue) Recourse	5.00	6/15/44	7,400,000	b,d8,255,884
Tender Option Bond Trust Receipts (Series 2016-XM0439), (New York City Transitional Finance Authority, Future Tax Secured Revenue) Recourse	5.00	5/1/30	7,996,798	b,d8,644,837
				<b>23,548,823</b>

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<b>Long-Term Municipal Investments - 151.2% (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>North Carolina - 2.9%</b>				
Tender Option Bond Trust Receipts (Series 2016-XM0444), (North Carolina Medical Care Commission, Health Care Facilities Revenue (Duke University Health System)) Recourse	5.00	6/1/42	5,000,000	b,d5,570,650
<b>Ohio - 1.2%</b>				
Butler County, Hospital Facilities Revenue (UC Health)	5.50	11/1/40	1,050,000	1,159,200
Butler County, Hospital Facilities Revenue (UC Health) (Prerefunded)	5.50	11/1/20	450,000	c 513,288
Ohio Air Quality Development Authority, Air Quality Revenue (Ohio Valley Electric Corporation Project)	5.63	10/1/19	600,000	625,884
				<b>2,298,372</b>
<b>Pennsylvania - 3.3%</b>				
Clairton Municipal Authority, Sewer Revenue	5.00	12/1/42	1,000,000	1,077,520
Pennsylvania Turnpike Commission, Turnpike Revenue	5.00	12/1/46	1,000,000	1,099,420
Philadelphia, GO (Prerefunded)	6.50	8/1/20	1,750,000	c 2,046,380
Tender Option Bond Trust Receipts (Series 2016-XM0373), (Geisinger Authority, Health System Revenue (Geisinger Health System)) Non-recourse	5.13	6/1/35	2,000,000	b,d2,157,900
				<b>6,381,220</b>
<b>South Carolina - 6.8%</b>				
South Carolina Public Service Authority, Revenue Obligations (Santee Cooper) (Prerefunded)	5.50	1/1/19	2,760,000	c 2,972,879
	5.13	6/1/37	4,800,000	b,d5,008,752

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Tender Option Bond Trust Receipts (Series 2016-XM0384), (South Carolina Public Service Authority, Revenue Obligations (Santee Cooper)) Non-recourse				
Tobacco Settlement Revenue Management Authority of South Carolina, Tobacco Settlement Asset-Backed Bonds (Escrowed to Maturity)	6.38	5/15/30	3,750,000	5,052,900
				<b>13,034,531</b>

**Tennessee - 1.2%**

Tender Option Bond Trust Receipts (Series 2016-XM0388), (Metropolitan Government of Nashville and Davidson County, Water and Sewer Revenue) Non-recourse	5.00	7/1/21	2,000,000 <sup>b,d</sup>	<b>2,243,280</b>
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**Texas - 13.1%**

Clifton Higher Education Finance Corporation, Revenue (Uplift Education)	4.25	12/1/34	1,000,000	991,850
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11

*STATEMENT OF INVESTMENTS (Unaudited) (continued)*

<b>Long-Term Municipal Investments - 151.2% (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Texas - 13.1% (continued)</b>				
Harris County-Houston Sports Authority, Senior Lien Revenue (Insured; Assured Guaranty Municipal Corp.) Houston,	0.00	11/15/52	4,000,000 <sup>e</sup>	742,600
Airport System Subordinate Lien Revenue	5.00	7/1/25	1,300,000	1,432,977
La Vernia Higher Education Finance Corporation, Education Revenue (Knowledge is Power Program, Inc.) (Prerefunded)	6.25	8/15/19	2,250,000 <sup>c</sup>	2,512,552
Lubbock Educational Facilities Authority, Improvement Revenue (Lubbock Christian University) (Prerefunded)	5.25	11/1/17	1,250,000 <sup>c</sup>	1,282,475
North Texas Education Finance Corporation, Education Revenue (Uplift Education)	5.13	12/1/42	2,000,000	2,074,140
North Texas Tollway Authority, First Tier System Revenue (Insured; Assured Guaranty Corp.)	5.75	1/1/40	235,000	242,344
North Texas Tollway Authority, Second Tier System Revenue (Prerefunded)	5.75	1/1/18	900,000 <sup>c</sup>	932,886
Tender Option Bond Trust Receipts (Series 2016-XM0377), (San Antonio, Electric and Gas Systems Junior Lien Revenue) Non-recourse	5.00	2/1/21	6,300,000 <sup>b,d</sup>	7,048,125
Tender Option Bond Trust Receipts (Series 2016-XM0443), (Texas A&M University System Board of Regents, Financing System Revenue) Recourse	5.00	5/15/39	5,000,000 <sup>b,d</sup>	5,498,500
Texas Private Activity Bond Surface Transportation Corporation, Senior Lien Revenue (Blueridge Transportation Group, LLC State Highway 288 Toll Lanes Project)	5.00	12/31/50	1,200,000	1,275,036
Texas Private Activity Bond Surface Transportation Corporation, Senior Lien Revenue (Blueridge Transportation Group, LLC State Highway 288 Toll Lanes Project)	5.00	12/31/55	1,000,000	1,059,510

25,092,995

**Washington - 4.2%**

Barclays Capital Municipal Trust Receipts (Series 27 B), (King County, Sewer Revenue) Recourse	5.00	1/1/29	2,999,037	b,d	3,353,547
Washington Health Care Facilities Authority, Mortgage Revenue (Highline Medical Center) (Collateralized; FHA) (Prerefunded)	6.25	8/1/18	2,890,000	c	3,089,323
Washington Health Care Facilities Authority, Revenue (Catholic Health Initiatives)	6.38	10/1/36	1,500,000		1,593,750
					<b>8,036,620</b>

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<b>Long-Term Municipal Investments - 151.2% (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<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	<b>1,006,950</b>
<b>Wisconsin - 1.4%</b>				
Public Finance Authority of Wisconsin, Lease Development Revenue (KU Campus Development Corporation - Central District Development Project)	5.00	3/1/46	2,500,000	<b>2,752,825</b>
<b>Wyoming - .9%</b>				
Wyoming Municipal Power Agency, Power Supply System Revenue (Prerefunded)	5.50	1/1/18	1,750,000	c <b>1,810,410</b>
<b>U.S. Related - 1.6%</b>				
Guam, LOR (Section 30) (Prerefunded)	5.75	12/1/19	1,500,000	c 1,675,680
Puerto Rico Commonwealth, Public Improvement GO (Insured; Assured Guaranty Municipal Corp.)	5.00	7/1/35	1,250,000	1,305,338
				<b>2,981,018</b>
<b>Total Investments</b> (cost \$268,263,757)			<b>151.2%</b>	<b>290,566,425</b>
<b>Liabilities, Less Cash and Receivables</b>			<b>(25.2%)</b>	<b>(48,388,012)</b>
<b>Preferred Stock, at redemption value</b>			<b>(26.0%)</b>	<b>(50,000,000)</b>
<b>Net Assets Applicable to Common Shareholders</b>			<b>100.0%</b>	<b>192,178,413</b>

<sup>a</sup> Zero coupon until a specified date at which time the stated coupon rate becomes effective until maturity.

<sup>b</sup> Security 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 March 31, 2017, these securities amounted to \$111,796,858, or 58.17% of net assets applicable to Common Shareholders.

<sup>c</sup> 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.

<sup>d</sup> Collateral for floating rate borrowings.

<sup>e</sup> Security issued with a zero coupon. Income is recognized through the accretion of discount.

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**STATEMENT OF INVESTMENTS (Unaudited) (continued)**

Portfolio Summary (Unaudited) †	Value (%)
Education	23.3
Transportation Services	21.7
Utility-Electric	20.7
Prerefunded	19.3
Utility-Water and Sewer	18.4
Health Care	14.9
Special Tax	12.9
State/Territory	6.2
Industrial	3.1
Pollution Control	2.0
Resource Recovery	1.3
Asset Backed	1.3
City	1.1
Housing	.9
Other	4.1
	<b>151.2</b>

†Based on net assets applicable to Common Shareholders.  
See notes to financial statements.

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**Summary of Abbreviations (Unaudited)**

<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
<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 Receipts Liquidity Option Tender
<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>P-FLOATS</b>	Puttable Floating Option Tax-Exempt Receipts	<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>RIB</b>	Residual Interest Bonds
<b>ROCS</b>	Reset Options 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		

*See notes to financial statements.*

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## STATEMENT OF ASSETS AND LIABILITIES

March 31, 2017 (Unaudited)

	Cost	Value
<b>Assets (\$):</b>		
Investments in securities—See Statement of Investments	268,263,757	290,566,425
Cash		171,595

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Interest receivable	4,428,734
Receivable for investment securities sold	261,522
Prepaid expenses	1,371
	<b>295,429,647</b>
<b>Liabilities (\$):</b>	
Due to The Dreyfus Corporation and affiliates—Note 2(b)	155,560
Payable for floating rate notes issued—Note 3	51,742,096
Payable for investment securities purchased	1,063,840
Interest and expense payable related to floating rate notes issued—Note 3	185,397
Commissions payable—Note 1	13,128
Dividends payable to Preferred Shareholders	3,753
Accrued expenses	87,460
	<b>53,251,234</b>
<b>Auction Preferred Stock, Series A and B, par value \$.001 per share (2,000 shares issued and outstanding at \$25,000 per share liquidation preference)—Note 1</b>	<b>50,000,000</b>
<b>Net Assets Applicable to Common Shareholders (\$)</b>	<b>192,178,413</b>
<b>Composition of Net Assets (\$):</b>	
Common Stock, par value, \$.001 per share (20,746,281 shares issued and outstanding)	20,746
Paid-in capital	181,714,190
Accumulated undistributed investment income—net	199,016
Accumulated net realized gain (loss) on investments	(12,058,207)
Accumulated net unrealized appreciation (depreciation) on investments	22,302,668
<b>Net Assets Applicable to Common Shareholders (\$)</b>	<b>192,178,413</b>
<b>Shares Outstanding</b>	
(110 million shares authorized)	20,746,281
<b>Net Asset Value Per Share of Common Stock (\$)</b>	<b>9.26</b>

*See notes to financial statements.*

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STATEMENT OF OPERATIONS

Six Months Ended March 31, 2017 (Unaudited)

<b>Investment Income (\$):</b>	
<b>Interest Income</b>	<b>6,766,340</b>
<b>Expenses:</b>	
Management fee—Note 2(a)	850,648

Interest and expense related to floating rate notes issued—Note 3	299,656
Professional fees	53,047
Commission fees—Note 1	48,954
Directors' fees and expenses—Note 2(c)	35,798
Shareholders' reports	12,342
Shareholder servicing costs	12,053
Registration fees	8,333
Custodian fees—Note 2(b)	7,319
Miscellaneous	25,504
<b>Total Expenses</b>	<b>1,353,654</b>
<b>Investment Income—Net</b>	<b>5,412,686</b>
<b>Realized and Unrealized Gain (Loss) on Investments—Note 3 (\$):</b>	
Net realized gain (loss) on investments	(564,443)
Net unrealized appreciation (depreciation) on investments	(11,350,399)
<b>Net Realized and Unrealized Gain (Loss) on Investments</b>	<b>(11,914,842)</b>
<b>Dividends to Preferred Shareholders</b>	<b>(284,592)</b>
<b>Net (Decrease) in Net Assets Applicable to Common Shareholders Resulting from Operations</b>	<b>(6,786,748)</b>

*See notes to financial statements.*

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## STATEMENT OF CASH FLOWS

Six Months Ended March 31, 2017 (Unaudited)

<b>Cash Flows from Operating Activities (\$):</b>		
Interest received	6,920,027	
Operating expenses paid	(1,110,764)	
Dividends paid to Preferred Shareholders	(284,570)	
Purchases of portfolio securities	(19,978,457)	
Proceeds from sales of portfolio securities	19,913,341	
<b>Net Cash Provided by Operating Activities</b>		<b>5,459,577</b>
<b>Cash Flows from Financing Activities (\$):</b>		
Dividends paid to Common Shareholders	(5,103,585)	
Interest and expense related to floating rate notes issued paid	(286,239)	
<b>Net Cash Used in Financing Activities</b>		<b>(5,389,824)</b>
Increase in cash		69,753
Cash at beginning of period		101,842
<b>Cash at end of period</b>		<b>171,595</b>

**Reconciliation of Net Decrease in Net Assets Applicable to  
Common Shareholders Resulting from Operations to  
Net Cash Provided by Operating Activities (\$):**

Net Decrease in Net Assets Applicable to Common  
Shareholders Resulting From Operations (6,786,748)

**Adjustments to reconcile net decrease in net assets applicable  
to Common Shareholders resulting from operations  
to net cash provided by operating activities (\$):**

Increase in investments in securities, at cost (5,552,991)  
Increase in receivable for investment securities sold (261,522)  
Increase in payable for investments securities purchased 1,063,840  
Increase in interest receivable (114,049)  
Decrease in prepaid expenses 7,555  
Decrease in commissions payable and accrued expenses (57,270)  
Decrease in Due to The Dreyfus Corporation and affiliates (7,051)  
Increase in dividends payable to Preferred Shareholders 22  
Increase in payable for floating rate notes issued 5,250,000  
Interest and expense related to floating rate notes issued 299,656  
Net unrealized depreciation on investments 11,350,399  
Net amortization of premiums on investments 267,736  
**Net Cash Provided by Operating Activities 5,459,577**

*See notes to financial statements.*

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**STATEMENT OF CHANGES IN NET ASSETS**

	Six Months Ended March 31, 2017 (Unaudited)	Year Ended September 30, 2016
<b>Operations (\$):</b>		
Investment income—net	5,412,686	10,822,548
Net realized gain (loss) on investments	(564,443)	2,364,121
Net unrealized appreciation (depreciation) on investments	(11,350,399)	4,355,270
Dividends to Preferred Shareholders	(284,592)	(250,167)
<b>Net Increase (Decrease) in Net Assets Applicable to Common Shareholders Resulting from Operations</b>	<b>(6,786,748)</b>	<b>17,291,772</b>

<b>Dividends to Common Shareholders from (\$):</b>		
<b>Investment income—net</b>	<b>(5,103,585)</b>	<b>(11,174,828)</b>
<b>Capital Stock Transactions (\$):</b>		
Distributions reinvested	-	225,102
<b>Increase (Decrease) in Net Assets from Capital Stock Transactions</b>	-	<b>225,102</b>
<b>Total Increase (Decrease) in Net Assets</b>	<b>(11,890,333)</b>	<b>6,342,046</b>
<b>Applicable to Common Shareholders</b>		
<b>Net Assets Applicable to Common Shareholders (\$):</b>		
Beginning of Period	204,068,746	197,726,700
<b>End of Period</b>	<b>192,178,413</b>	<b>204,068,746</b>
Undistributed investment income—net	199,016	174,507
<b>Capital Share Transactions (Common Shares):</b>		
Shares issued for distributions reinvested	-	22,882

*See notes to financial statements.*

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## FINANCIAL HIGHLIGHTS

The following table describes the performance for the fiscal periods indicated. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been derived from the fund's financial statements and, with respect to common stock, market price data for the fund's common shares.

Six Months Ended March 31, 2017	Year Ended September 30,				
	(Unaudited)	2016	2015	2014	2013

**Per Share****Data (\$):**

Net asset value, beginning of period	9.84	9.54	9.68	9.00	10.43	9.44
Investment Operations:						
Investment income—net	.26	.52	.55	.59	.58	.62
Net realized and unrealized gain (loss) on investments	(.58)	.33	(.06)	.72	(1.37)	1.01
Dividends to Preferred Shareholders	(.01)	(.01)	(.00) <sup>b</sup>	(.00) <sup>b</sup>	(.01)	(.01)
from investment income—net						
Total from Investment Operations	(.33)	.84	.49	1.31	(.80)	1.62
Distributions to Common Shareholders:						
Dividends from investment income—net	(.25)	(.54)	(.63)	(.63)	(.63)	(.63)
Net asset value, end of period	9.26	9.84	9.54	9.68	9.00	10.43
Market value, end of period	8.92	9.60	9.45	9.09	8.67	11.14
<b>Total Return (%)<sup>c</sup></b>	(4.48) <sup>d</sup>	7.39	11.15	12.46	(17.00)	24.26

**20**Six Months Ended  
March 31, 2017

Year Ended September 30,

(Unaudited)	2016	2015	2014	2013	2012
<b>Ratios/Supplemental Data (%):</b>					
Ratio of expenses to average net assets	1.40 <sup>f</sup>	1.33	1.25	1.28	1.27

applicable to Common Stock <sup>e</sup> Ratio of interest and expense related to floating rate notes issued to average net assets	.31 <sup>f</sup>	.20	.16	.16	.10	.09
applicable to Common Stock <sup>e</sup> Ratio of net investment income to average net assets	5.60 <sup>f</sup>	5.35	5.70	6.33	5.83	6.27
applicable to Common Stock <sup>e</sup> Ratio of expenses to total average net assets	1.11 <sup>f</sup>	1.07	1.00	1.00	.93	.93
Ratio of interest and expense related to floating rate notes issued to total average net assets	.25 <sup>f</sup>	.16	.13	.13	.07	.07
Ratio of net investment income to total average net assets	4.45 <sup>f</sup>	4.29	4.56	4.95	4.30	4.59
Portfolio Turnover Rate	8.38 <sup>d</sup>	11.66	11.17	10.97	18.89	18.69
Asset Coverage of Preferred Stock, end of period	484	508	495	501	390	388
Net Assets applicable to Common Shareholders, end of period (\$ x 1,000)	192,178	204,069	197,727	200,598	186,506	215,760
Preferred Stock Outstanding,	50,000	50,000	50,000	50,000	64,300	75,000

end of period  
(\$ x 1,000)

Floating Rate

Notes

Outstanding, end of period (\$ x 1,000)	51,742	46,492	51,492	51,492	43,617	26,495
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<sup>a</sup> Based on average common shares outstanding.

<sup>b</sup> Amount represents less than \$.01 per share.

<sup>c</sup> Calculated based on market value.

<sup>d</sup> Not annualized.

<sup>e</sup> Does not reflect the effect of dividends to Preferred Shareholders.

<sup>f</sup> Annualized.

See notes to financial statements.

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## NOTES TO FINANCIAL STATEMENTS (Unaudited)

### NOTE 1—Significant Accounting Policies:

Dreyfus Municipal Income, Inc. (the “fund”) is registered under the Investment Company Act of 1940, as amended (the “Act”), as a non-diversified closed-end management investment company. The fund’s investment objective is to maximize current income exempt from federal income tax to the extent consistent with the preservation of capital. The Dreyfus Corporation (the “Manager” or “Dreyfus”), a wholly-owned subsidiary of The Bank of New York Mellon Corporation (“BNY Mellon”), serves as the fund’s investment adviser. The fund’s Common Stock trades on the New York Stock Exchange (the “NYSE MKT”) under the ticker symbol DMF.

The fund has outstanding 1,000 shares each of Series A and Series B Auction Preferred Stock (“APS”), with a liquidation preference of \$25,000 per share (plus an amount equal to accumulated but unpaid dividends upon liquidation). APS dividend rates are determined pursuant to periodic auctions or by reference to a market rate. Deutsche Bank Trust Company America, as Auction Agent, receives a fee from the fund for its services in connection with such auctions. The fund also compensates broker-dealers generally at an annual rate of .15%-.25% of the purchase price of shares of APS.

The fund is subject to certain restrictions relating to the APS. Failure to comply with these restrictions could preclude the fund from declaring any distributions to shareholders of Common Stock (“Common Shareholders”) or repurchasing shares of Common Stock and/or could trigger the mandatory redemption of APS at liquidation value. Thus, redemptions of APS may be deemed to be outside of the control of the fund.

The holders of APS, voting as a separate class, have the right to elect at least two directors. The holders of APS will vote as a separate class on certain other matters, as required by law. The fund’s Board of Directors (the “Board”) has designated Nathan Leventhal and Benaree Pratt Wiley as directors to be elected by the holders of APS.

The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification 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.

The fund enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

**(a) 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. 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

## NOTES TO FINANCIAL STATEMENTS (Unaudited) *(continued)*

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 of the preceding securities are generally categorized within Level 2 of the fair value hierarchy.

The Service is engaged under the general supervision of the Board.

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, 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. 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 within Level 2 or 3 of the fair value hierarchy depending on the relevant inputs used.

For restricted securities where observable inputs are limited, assumptions about market activity and risk are used and are generally categorized within Level 3 of the fair value hierarchy.

The following is a summary of the inputs used as of March 31, 2017 in valuing the fund's investments:

	Level 1 - Unadjusted Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 -Significant Unobservable Inputs	Total
<b>Assets (\$)</b>				
Investments in Securities:				
Municipal Bonds <sup>†</sup>	-	290,566,425	-	<b>290,566,425</b>
<b>Liabilities (\$)</b>				
Floating Rate Notes <sup>††</sup>	-	(51,742,096)	-	<b>(51,742,096)</b>

<sup>†</sup>See *Statement of Investments* for additional detailed categorizations.

<sup>††</sup>Certain of the fund's liabilities are held at carrying amount, which approximates fair value for financial reporting purposes.

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At March 31, 2017, there were no transfers between levels of the fair value hierarchy.

**(b) Securities transactions and investment income:** Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the identified cost basis. Interest income, adjusted for accretion of discount and amortization of premium on investments, is earned from settlement date and recognized on the accrual basis. Securities purchased or sold on a when issued or delayed delivery basis may be settled a month or more after the trade date.

**(c) Dividends and distributions to Common Shareholders:** Dividends and distributions are recorded on the ex-dividend date. Dividends from investment income-net are normally declared and paid monthly. Dividends from net realized capital gains, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax

regulations, which may differ from GAAP.

Common Shareholders will have their distributions reinvested in additional shares of the fund, unless such Common Shareholders elect to receive cash, at the lower of the market price or net asset value per share (but not less than 95% of the market price). If market price is equal to or exceeds net asset value, shares will be issued at net asset value. If net asset value exceeds market price, Computershare Inc., the transfer agent for the fund's Common Stock, will buy fund shares in the open market and reinvest those shares accordingly.

On March 30, 2017, the Board declared a cash dividend of \$.041 per share from investment income-net, payable on April 28, 2017 to Common Shareholders of record as of the close of business on April 13, 2017.

**(d) Dividends and distributions to shareholders of APS:** Dividends, which are cumulative, are generally reset every 7 days for each Series of APS pursuant to a process specified in related fund charter documents. Dividend rates as of March 31, 2017, for each Series of APS were as follows: Series A-1.361% and Series B-1.394%. These rates reflect the "maximum rates" under the governing instruments as a result of "failed auctions" in which sufficient clearing bids are not received. The average dividend rates for the period ended March 31, 2017 for each Series of APS were as follows: Series A-1.142% and Series B-1.141%.

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#### NOTES TO FINANCIAL STATEMENTS (Unaudited) *(continued)*

**(e) Federal income taxes:** It is the policy of the fund to continue to qualify as a regulated investment company, which can distribute tax-exempt dividends, by complying with the applicable provisions of the Code, and to make distributions of income and net realized capital gain sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended March 31, 2017, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations. During the period ended March 31, 2017, the fund did not incur any interest or penalties.

Each tax year in the three-year period ended September 30, 2016 remains subject to examination by the Internal Revenue Service and state taxing authorities.

Under the Regulated Investment Company Modernization Act of 2010 (the "2010 Act"), the fund is permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 ("post-enactment losses") for an unlimited period. Furthermore, post-enactment capital loss carryovers retain their character as either short-term or long-term capital losses rather than short-term as they were under previous statute. The 2010 Act requires post-enactment losses to be utilized before the utilization of losses incurred in taxable years prior to the effective date of the 2010 Act ("pre-enactment losses"). As a result of this ordering rule, pre-enactment losses may be more likely to expire unused.

The fund has an unused capital loss carryover of \$11,682,835 available for federal income tax purposes to be applied against future net realized capital gains, if any, realized subsequent to September 30, 2016. If not applied, \$1,246,519 of the carryover expires in fiscal year 2017 and \$2,354,251 expires in fiscal year 2018. The fund has \$2,455,218 of post-enactment short-term capital losses and \$5,626,847 of post-enactment long-term capital losses which can be carried forward for an unlimited period.

The tax character of distributions paid to shareholders during the fiscal year ended September 30, 2016 was as follows: tax-exempt income \$11,410,976 and ordinary income \$14,019. The tax character of current year distributions will be determined at the end of the current fiscal year.

**NOTE 2—Management Fee and Other Transactions with Affiliates:**

(a) Pursuant to a management agreement (the “Agreement”) with Dreyfus, the management fee is computed at the annual rate of .70% of the value of the fund’s average weekly net assets, inclusive of the outstanding APS, and

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is payable monthly. The Agreement provides that if in any full fiscal year the aggregate expenses of the fund (excluding taxes, interest on borrowings, brokerage fees and extraordinary expenses) exceed the expense limitation of any state having jurisdiction over the fund, the fund may deduct from payments to be made to Dreyfus, or Dreyfus will bear, the amount of such excess to the extent required by state law. During the period ended March 31, 2017, there was no expense reimbursement pursuant to the Agreement.

(b) The fund compensates The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, under a custody agreement for providing custodial services for the fund. These fees are determined based on net assets and transaction activity. During the period ended March 31, 2017, the fund was charged \$7,319 pursuant to the custody agreement.

The fund has an arrangement with the custodian whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset custody fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

During the period ended March 31, 2017, the fund was charged \$3,466 for services performed by the Chief Compliance Officer and his staff.

The components of “Due to The Dreyfus Corporation and affiliates” in the Statement of Assets and Liabilities consist of: management fees \$143,376, custodian fees \$8,718 and Chief Compliance Officer fees \$3,466.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

**NOTE 3—Securities Transactions:**

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended March 31, 2017, amounted to \$21,042,297 and \$20,174,863, respectively.

**Inverse Floater Securities:** The fund participates in secondary inverse floater structures in which fixed-rate, tax-exempt municipal bonds are transferred to a trust (the “Inverse Floater Trust”). The Inverse Floater Trust typically issues two variable rate securities that are collateralized by the cash flows of the fixed-rate, tax-exempt municipal bonds. One of these variable rate securities pays interest based on a short-term floating rate set by a remarketing agent at predetermined intervals (“Trust Certificates”). A residual interest tax-exempt security is also created by the Inverse Floater Trust, which is transferred to the fund, and is paid interest based on the

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NOTES TO FINANCIAL STATEMENTS (Unaudited) *(continued)*

remaining cash flows of the Inverse Floater Trust, after payment of interest on the other securities and various expenses of the Inverse Floater Trust. An inverse floater security may be collapsed without the consent of the fund due to certain termination events such as bankruptcy, default or other credit event.

The fund accounts for the transfer of bonds to the Inverse Floater Trust as secured borrowings, with the securities transferred remaining in the fund's investments, and the Trust Certificates reflected as fund liabilities in the Statement of Assets and Liabilities.

The fund may invest in inverse floater securities on either a non-recourse or recourse basis. These securities are typically supported by a liquidity facility provided by a bank or other financial institution (the "Liquidity Provider") that allows the holders of the Trust Certificates to tender their certificates in exchange for payment from the Liquidity Provider of par plus accrued interest on any business day prior to a termination event. When the fund invests in inverse floater securities on a non-recourse basis, the Liquidity Provider is required to make a payment under the liquidity facility due to a termination event to the holders of the Trust Certificates. When this occurs, the Liquidity Provider typically liquidates all or a portion of the municipal securities held in the Inverse Floater Trust. A liquidation shortfall occurs if the Trust Certificates exceed the proceeds of the sale of the bonds in the Inverse Floater Trust ("Liquidation Shortfall"). When a fund invests in inverse floater securities on a recourse basis, the fund typically enters into a reimbursement agreement with the Liquidity Provider where the fund is required to repay the Liquidity Provider the amount of any Liquidation Shortfall. As a result, a fund investing in a recourse inverse floater security bears the risk of loss with respect to any Liquidation Shortfall.

The average amount of borrowings outstanding under the inverse floater structure during the period ended March 31, 2017 was approximately \$48,242,100, with a related weighted average annualized interest rate of 1.25%.

At March 31, 2017, accumulated net unrealized appreciation on investments was \$22,302,668, consisting of \$22,609,233 gross unrealized appreciation and \$306,565 gross unrealized depreciation.

At March 31, 2017, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

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**OFFICERS AND DIRECTORS**

Dreyfus Municipal Income, Inc.

200 Park Avenue  
New York, NY 10166

**Directors**

Joseph S. DiMartino, Chairman  
Francine J. Bovich  
J. Charles Cardona<sup>†</sup>

**Officers (continued)**

Assistant Treasurers (continued)  
Robert Salviolo  
Robert Svagna

Gordon J. Davis<sup>†</sup>  
Isabel P. Dunst  
Nathan Leventhal<sup>††</sup>  
Robin A. Melvin  
Roslyn M. Watson  
Benaree Pratt Wiley<sup>††</sup>  
*†Interested Board Member*  
*†Elected by APS Holders*

**Officers**

President  
Bradley J. Skapyak  
Chief Legal Officer  
Bennett A. MacDougall  
Vice President and Secretary  
Janette E. Farragher  
Vice Presidents and Assistant Secretaries  
James Bitetto  
Joseph M. Chioffi  
Maureen E. Kane  
Sarah S. Kelleher  
Jeff Prusnofsky  
Natalya Zelensky  
Treasurer  
James Windels  
Assistant Treasurers  
Richard Cassaro  
Gavin C. Reilly  
Robert S. Robol

*The fund's net asset value per share appears in the following publications: Barron's, Closed-End Bond Funds section under the heading "Municipal Bond Funds" every Monday; The Wall Street Journal, Mutual Funds section under the heading "Closed-End Funds" every Monday.*

*Notice is hereby given in accordance with Section 23(c) of the Act that the fund may purchase shares of its common stock in the open market when it can do so at prices below the then current net asset value per share.*

Chief Compliance Officer  
Joseph W. Connolly  
**Portfolio Managers**  
Daniel A. Rabasco  
Jeffrey B. Burger

**Manager**

The Dreyfus Corporation

**Custodian**

The Bank of New York Mellon

**Counsel**

Proskauer Rose LLP

**Transfer Agent,  
Dividend Disbursing Agent  
and Registrar**

Computershare Inc.

(Common Stock)

Deutsche Bank Trust Company America  
(Auction Preferred Stock)

**Stock Exchange Listing**

NYSE MKT Symbol: DMF

**Initial SEC Effective Date**

10/21/88

**Auction Agent**

Deutsche Bank Trust Company America  
(Auction Preferred Stock)

200 Park Avenue  
New York, NY 10166

**Manager**

The Dreyfus Corporation  
200 Park Avenue  
New York, NY 10166

**Custodian**

The Bank of New York Mellon  
225 Liberty Street  
New York, NY 10286

**Transfer Agent &  
Registrar (Common Stock)**

Computershare Inc.  
480 Washington Boulevard  
Jersey City, NJ 07310

**Dividend Disbursing Agent (Common Stock)**

Computershare Inc.  
P.O. Box 30170  
College Station, TX 77842

**Ticker Symbol:**

DMF

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (“SEC”) for the first and third quarters of each fiscal year on Form N-Q. The fund’s Forms N-Q are available on the SEC’s website at [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the SEC’s Public Reference Room in Washington, DC. (phone 1-800-SEC-0330 for information).

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities and information regarding how the fund voted these proxies for the most recent 12-month period ended June 30 is available at [www.dreyfus.com](http://www.dreyfus.com) and on the SEC’s website at [www.sec.gov](http://www.sec.gov) and without charge, upon request, by calling 1-800-DREYFUS.

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**Item 2. Code of Ethics.**

Not applicable.

**Item 3. Audit Committee Financial Expert.**

Not applicable.

**Item 4. Principal Accountant Fees and Services.**

Not applicable.

**Item 5. Audit Committee of Listed Registrants.**

Not applicable.

**Item 6. Investments.**

(a) Not applicable.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

Not applicable.

**Item 8. Portfolio Managers of Closed-End Management Investment Companies.**

Not applicable.

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers.**

Not applicable.

**Item 10. Submission of Matters to a Vote of Security Holders.**

There have been no material changes to the procedures applicable to Item 10.

**Item 11. 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-CSR 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-CSR 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 second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

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**Item 12. Exhibits.**

(a)(1) Not applicable.

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

(a)(3) Not applicable.

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

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**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: May 23, 2017

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: May 23, 2017

By: /s/ James Windels

James Windels

Treasurer

Date: May 23, 2017



**EXHIBIT INDEX**

(a)(2) 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)

(b) Certification of principal executive and principal financial officers as required by Rule 30a-2(b) under the Investment Company Act of 1940. (EX-99.906CERT)