

DREYFUS MUNICIPAL INCOME INC
Form N-CSR/A
February 21, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR/A
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)

Mark N. Jacobs, 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: 9/30
Date of reporting period: 9/30/06

FORM N-CSR

Item 1. Reports to Stockholders.

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 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

LETTER FROM THE CHAIRMAN

Dear Shareholder:

We are pleased to present this annual report for Dreyfus Municipal Income, Inc., covering the 12-month period from October 1, 2005, through September 30, 2006.

After more than two years of steady and gradual increases, the Federal Reserve Board (the "Fed") held short-term interest rates unchanged at its meetings in August and September. The Fed has indicated that the U.S. economy has moved to a slower-growth phase of its cycle, as evidenced by softening housing markets in many regions of the United States. Yet, energy prices have moderated from record highs, calming fears that the economy may fall into a full-blown recession.

Most sectors of the U.S. fixed-income market rallied in anticipation of and in response to the pause in the Fed's tightening campaign, including municipal bonds. Investors apparently are optimistic that higher borrowing costs and moderating home values may wring current inflationary pressures from the economy. In addition, most states and municipalities have continued to report higher-than-expected tax receipts as a result of the recovering economy, helping to support the credit quality of many municipal bond issuers. As always, we encourage you to talk with your financial advisor about these and other developments to help ensure that your portfolio remains aligned with your current tax-managed needs and future investment goals.

For information about how the fund performed during the reporting period, as well as market perspectives, we have provided a Discussion of Fund Performance given by the fund's portfolio manager.

Thank you for your continued confidence and support.

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DISCUSSION OF FUND PERFORMANCE

Joseph P. Darcy, Senior Portfolio Manager

How did Dreyfus Municipal Income perform during the reporting period?

For the 12-month period ended September 30, 2006, the fund achieved a total return of 5.65% (on a net asset value basis).¹ During the same period, the fund provided income dividends of \$0.52 per share, which is equal to a distribution rate of 5.63%.²

After occasional bouts of weakness earlier in the reporting period, municipal bonds rallied during the summer of 2006 as inflation and interest-rate concerns eased. However, rising short-term interest rates earlier in the reporting period resulted in higher borrowing costs for the fund and some of the fund's seasoned, higher-coupon holdings were redeemed early by their issuers, which eroded the fund's income. Consequently, the fund's dividend was reduced in February 2006.

What is 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 from a portfolio that, under normal market conditions, invests at least 80% of the value of its net assets in municipal obligations. Under normal market conditions, the fund invests in municipal obligations which, at the time of purchase, are rated investment-grade or the unrated equivalent as determined by Dreyfus 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.

We have constructed a portfolio by looking for income opportunities through analysis of each bond's structure, including paying close attention to a bond's yield, maturity and early redemption features. Over time, many of the fund's relatively higher yielding bonds mature or are

The Fund 3

DISCUSSION OF FUND PERFORMANCE *(continued)*

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 we believe that an opportunity presents itself, we seek to upgrade the portfolio's investments with bonds that, in our opinion, have better structural or income characteristics than existing holdings. When such opportunities arise, we usually will look to sell bonds that are close to redemption or maturity.

What other factors influenced the fund's performance?

Early in the reporting period, the U.S. economy continued to grow robustly despite headwinds such as volatile energy prices and rising interest rates. Still, at the time, fixed-income investors appeared relatively unconcerned about inflation, helping to support returns in the municipal bond market.

Investor sentiment appeared to change in the spring of 2006, when hawkish comments by members of the Federal Reserve Board (the "Fed") and rising energy prices raised renewed inflation concerns and sparked heightened market volatility. Inflation fears subsequently eased over the summer, when evidence of softening housing markets and less impressive employment gains suggested that the rate of economic growth might be moderating. The Fed lent credence to this view when it refrained from raising short-term interest rates further at its August and September meetings, the first pauses in its tightening campaign in more than two years. As a result of these factors, municipal bonds rallied over the summer, enabling the fund to post a solidly positive total return for the reporting period overall.

Supply-and-demand factors also supported municipal bond prices. Many states and municipalities have taken in more tax revenue than they originally projected, reducing their need to borrow. As a result, municipal bond issuance volume declined compared to the same period one year earlier, even as investor demand remained robust from individuals and institutions seeking competitive levels of tax-exempt

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income. Consequently, investors have had more difficulty finding bonds that meet their criteria, especially in many of the higher tax states.

Throughout the reporting period, the fund continued to receive attractive levels of current income from its core holdings of seasoned securities. In addition, when making new purchases, we attempted to maximize the fund's income by emphasizing premium-structured bonds with long-term maturities, including investment-grade bonds issued on behalf of health care facilities and securities backed by clearly identified sources of tax revenue. However, some of the fund's higher-coupon holdings were redeemed early by their issuers, and we were unable to replace them with bonds with similar income characteristics. In addition, the fund's income stream was reduced by higher borrowing costs related to its leveraging strategy. The fund consequently required an adjustment to its dividend in February 2006.

What is the fund's current strategy?

In our view, the prospect of slower economic growth, benign inflation and favorable supply-and-demand dynamics may help support municipal bond prices over the foreseeable future. Accordingly, we generally have maintained the fund's focus on long-term, income-oriented municipal securities.

October 16, 2006

- 1 *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.*
- 2 *Distribution rate per share is based upon dividends per share paid from net investment income during the period, divided by the market price per share at the end of the period.*

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STATEMENTSELECTED INFORMATIONOF INVESTMENTS

September 30, 2006 (Unaudited)

Market Price per share September 30, 2006	\$9.17
Shares Outstanding September 30, 2006	20,589,320
American Stock Exchange Ticker Symbol	DMF

MARKET PRICE (AMERICAN STOCK EXCHANGE)

Fiscal Year Ended September 30, 2006

	Quarter Ended December 31, 2005	Quarter Ended March 31, 2006	Quarter Ended June 30, 2006	Quarter Ended September 30, 2006
High	\$9.35	\$9.31	\$8.94	\$9.17
Low	8.58	8.80	8.57	8.65
Close	8.90	8.91	8.63	9.17

PERCENTAGE GAIN (LOSS) based on change in Market Price*

October 24, 1988 (commencement of operations) through September 30, 2006	212.02%
October 1, 1996 through September 30, 2006	84.02
October 1, 2001 through September 30, 2006	46.85
October 1, 2005 through September 30, 2006	3.86
January 1, 2006 through September 30, 2006	7.41
April 1, 2006 through September 30, 2006	5.78
July 1, 2006 through September 30, 2006	7.70

NET ASSET VALUE PER SHARE

October 24, 1988 (commencement of operations)	\$ 9.26
September 30, 2005	9.68
December 31, 2005	9.63
March 31, 2006	9.56
June 30, 2006	9.42
September 30, 2006	9.66

PERCENTAGE GAIN (LOSS) based on change in Net Asset Value*

October 24, 1988 (commencement of operations) through September 30, 2006	254.88%
October 1, 1996 through September 30, 2006	93.05
October 1, 2001 through September 30, 2006	39.45
October 1, 2005 through September 30, 2006	5.65
January 1, 2006 through September 30, 2006	4.55
April 1, 2006 through September 30, 2006	3.84
July 1, 2006 through September 30, 2006	3.92

* With dividends reinvested.

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STATEMENT OF INVESTMENTS

September 30, 2006

Long-Term Municipal Investments 157.4%	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Alabama 8.7%				
Jefferson County, Limited Obligation School Warrants	5.50	1/1/21	4,000,000	4,354,640
Jefferson County, Sewer Revenue, Capital Improvement (Insured; FGIC)	5.75	2/1/09	7,500,000 ^a	7,941,450
The Board of Trustees of the University of Alabama, HR (University of Alabama at Birmingham) (Insured; MBIA)	5.88	9/1/10	4,620,000 ^a	5,052,478
Alaska 3.5%				
Alaska Housing Finance Corp., General Mortgage Revenue (Insured; MBIA)	6.05	6/1/39	6,845,000	7,053,225
Arkansas 1.5%				
Independence County,				

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PCR (Entergy Arkansas Inc. Project)	5.00	1/1/21	3,000,000	3,071,070
California 13.5%				
ABAG Financial Authority for Nonprofit Corps., Insured Revenue, COP (Odd Fellows Home of California)	6.00	8/15/24	5,000,000	5,128,850
California Department of Veteran Affairs, Home Purchase Revenue	5.20	12/1/28	5,000,000	5,003,250
California Educational Facilities Authority, Revenue (Mills College)	5.00	9/1/34	2,000,000	2,056,760
California Health Facilities Financing Authority, Revenue (Sutter Health)	6.25	8/15/35	2,500,000	2,756,075
California Housing Finance Agency, Home Mortgage Revenue	4.80	8/1/36	2,500,000	2,516,125
California Statewide Communities Development Authority, COP (Catholic Healthcare West)	6.50	7/1/10	3,545,000 ^a	3,946,436

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STATEMENT OF INVESTMENTS (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
California (continued)				
California Statewide Communities Development Authority, COP (Catholic Healthcare West)	6.50	7/1/20	1,455,000	1,596,848
Golden State Tobacco Securitization Corp., Tobacco Settlement Asset-Backed Bonds	7.80	6/1/42	3,000,000	3,662,550
Colorado 10.6%				
Colorado Springs, HR	6.38	12/15/10	2,835,000 ^a	3,156,999
Colorado Springs, HR	6.38	12/15/30	2,890,000	3,152,007
Denver City and County, Special Facilities Airport Revenue (United Airlines Project)	6.88	10/1/32	2,480,000 ^b	3,168,200
University of Northern Colorado Board of Trustees, Auxiliary				

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Facilities System Revenue (Insured; FSA)	6.02	6/1/35	11,000,000 ^{c,d}	11,588,500
District of Columbia 1.6%				
District of Columbia, Revenue (Catholic University America Project)	5.63	10/1/29	2,080,000	2,206,048
District of Columbia Housing Finance Agency, SFMR (Collateralized: FHA, FNMA, GNMA and GIC; Trinity Funding)	7.45	12/1/30	895,000	901,328
Florida 1.4%				
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/09	30,000 ^a	32,281
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/26	1,470,000	1,560,376
South Lake County Hospital District, Revenue (South Lake Hospital Inc.)	5.80	10/1/34	1,095,000	1,143,552

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**Long-Term Municipal
Investments (continued)**

	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Georgia 5%				
Milledgeville and Baldwin County Development Authority, Revenue (Georgia College and State University Foundation Property III, LLC Student Housing System Project)	5.25	9/1/19	1,000,000	1,064,420
Illinois 10.4%				
Chicago (Insured; FGIC)	6.13	7/1/10	3,685,000 ^a	4,048,599
Chicago (Insured; FGIC)	6.13	7/1/10	315,000 ^a	346,081
Illinois Development Finance Authority, Revenue (Community Rehabilitation Providers Facilities Acquisition Program)	8.75	3/1/10	65,000	65,667
Illinois Health Facilities Authority, Revenue (Advocate Health Care Network)	6.13	11/15/10	5,800,000 ^a	6,355,640
Illinois Health Facilities Authority, Revenue (OSF				

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Healthcare System) Illinois Health Facilities Authority, Revenue (Swedish American Hospital)	6.25	11/15/09	7,000,000 ^a	7,609,630
Indiana 1.4%				
Franklin Township School Building Corp., First Mortgage	6.13	7/15/10	2,500,000 ^a	2,771,475
Kansas 1.3%				
Unified Government of Wyandotte County/Kansas City, Tax-Exempt Sales Tax Special Tax Obligation Revenue (Redevelopment Project Area B)	5.00	12/1/20	2,500,000	2,607,250
Maryland 4.9%				
Maryland Economic Development Corp., Student Housing Revenue (University of Maryland, College Park Project)	5.63	6/1/13	2,000,000 ^a	2,219,680

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STATEMENT OF INVESTMENTS (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Maryland (continued)				
Maryland Health and Higher Educational Facilities Authority, Revenue (The John Hopkins University Issue)	6.00	7/1/09	7,000,000 ^a	7,514,290
Massachusetts 9.1%				
Massachusetts Bay Transportation Authority, Assessment	5.00	7/1/14	5,000,000 ^a	5,457,400
Massachusetts Development Finance Agency, SWDR (Dominion Energy Brayton Point Issue)	5.00	2/1/36	2,000,000	2,052,260
Massachusetts Health and Educational Facilities Authority, Healthcare System Revenue (Covenant Health)	6.00	7/1/31	2,500,000	2,712,900
Massachusetts Housing Finance Agency, SFHR	5.00	12/1/31	2,500,000	2,559,875
Massachusetts Industrial Finance Agency, Water Treatment Revenue				

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(Massachusetts-American Hingham Project)	6.95	12/1/35	5,235,000	5,274,838
Michigan 3.5%				
Hancock Hospital Finance Authority, Mortgage Revenue (Portgace Health) (Insured; MBIA)	5.45	8/1/47	2,200,000	2,261,094
Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	4,785,000	4,784,569
Minnesota 1.4%				
Minnesota Agricultural and Economic Development Board, Health Care System Revenue (Fairview Health Care Systems)	6.38	11/15/10	2,420,000 ^a	2,696,219
Minnesota Agricultural and Economic Development Board, Health Care System Revenue (Fairview Health Care Systems)	6.38	11/15/29	80,000	86,820

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Mississippi 3.0%				
Mississippi Business Finance Corp., PCR (System Energy Resource Inc. Project)	5.88	4/1/22	6,000,000	6,029,280
Missouri 4.1%				
Missouri Development Finance Board, Infrastructure Facilities Revenue (Branson Landing Project)	5.00	6/1/35	2,500,000	2,551,850
Missouri Health and Educational Facilities Authority, Health Facilities Revenue (BJC Health System)	5.25	5/15/32	2,500,000	2,635,275
Missouri Health and Educational Facilities Authority, Health Facilities Revenue (Saint Anthony's Medical Center)	6.25	12/1/10	2,500,000 ^a	2,773,350
Missouri Housing Development Commission, SFMR (Homeownership Loan Program) (Collateralized: FNMA and GNMA)	6.30	9/1/25	180,000	182,011
Nevada 2.2%				
Clark County,				

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IDR (Southwest Gas Corp. Project) (Insured; AMBAC)	6.10	12/1/38	4,000,000	4,344,000
New Jersey 0.9%				
New Jersey Economic Development Authority, Cigarette Tax Revenue	5.50	6/15/31	1,610,000	1,695,153
New Mexico 2.4%				
Farmington, PCR (Public Service Co. of New Mexico San Juan Project)	6.30	12/1/16	3,000,000	3,070,440
New Mexico Mortgage Finance Authority, Single Family Mortgage Program (Collateralized: FHLMC and GNMA)	6.85	9/1/31	1,660,000	1,674,326

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STATEMENT OF INVESTMENTS *(continued)*

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
New York 2.3%				
Long Island Power Authority, Electric System Revenue	5.00	9/1/27	1,500,000	1,567,260
New York State Dormitory Authority, Catholic Health Services of Long Island Obligated Group Revenue (Saint Francis Hospital Project)	5.00	7/1/27	2,930,000	3,020,947
North Carolina 3.2%				
Gaston County Industrial Facilities and Pollution Control Financing Authority, Exempt Facilities Revenue (National Gypsum Co. Project)	5.75	8/1/35	1,500,000	1,589,310
North Carolina Eastern Municipal Power Agency, Power System Revenue	5.13	1/1/26	3,000,000	3,118,440
North Carolina Housing Finance Agency, Home Ownership Revenue	6.25	1/1/29	1,525,000	1,577,124
Ohio 4.7%				
Cuyahoga County, Hospital Improvement Revenue (The Metrohealth				

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System Project) Ohio Housing Finance Agency, Residential Mortgage Revenue (Collateralized; GNMA) Rickenbacker Port Authority, Capital Funding Revenue (OASBO Expanded Asset Pooled)	6.13	2/15/09	5,000,000 ^a	5,334,500
Oklahoma 1.3% Oklahoma Development Finance Authority, Revenue (Saint John Health System)	5.75	9/1/30	105,000	105,879
Pennsylvania 7.8% Delaware County Industrial Development Authority, Water Facilities Revenue (Aqua Pennsylvania, Inc. Project) (Insured; FGIC)	5.38	1/1/32	3,590,000	3,988,418
	6.00	2/15/29	2,500,000	2,643,950
	5.00	11/1/38	3,375,000	3,512,396

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Pennsylvania (continued) Pennsylvania Economic Development Financing Authority, RRR (Northampton Generating Project)	6.60	1/1/19	3,500,000	3,541,160
Sayre Health Care Facilities Authority, Revenue (Guthrie Health)	5.88	12/1/31	7,750,000	8,389,220
South Carolina 10.8% Lancaster Educational Assistance Program, Inc., Installment Purchase Revenue (The School District of Lancaster County, South Carolina, Project)	5.00	12/1/26	5,000,000	5,141,500
Medical University of South Carolina, Hospital Facilities Revenue	6.00	7/1/09	2,500,000 ^a	2,679,575
Piedmont Municipal Power Agency, Electric Revenue	5.25	1/1/21	3,500,000	3,562,405
Securing Assets for Education, Installment Purchase Revenue (Berkeley County School District Project)	5.13	12/1/30	2,500,000	2,637,750
Tobacco Settlement Revenue Management Authority, Tobacco				

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Settlement Asset-Backed Bonds Tobacco Settlement Revenue Management Authority, Tobacco	6.38	5/15/28	2,900,000	3,128,143
Settlement Asset-Backed Bonds Texas 13.4%	6.38	5/15/30	3,750,000	4,311,525
Cities of Dallas and Fort Worth, Dallas/Fort Worth International Airport, Joint Revenue Improvement (Insured; FSA)	5.00	11/1/35	2,500,000	2,532,700
Gregg County Health Facilities Development Corp., HR (Good Shephard Medical Center Project) (Insured; Radian)	6.38	10/1/25	2,500,000	2,741,500

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STATEMENT OF INVESTMENTS (continued)

**Long-Term Municipal
Investments (continued)**

	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Texas (continued)				
Harris County Health Facilities Development Corp., HR (Memorial Hermann Healthcare System)	6.38	6/1/11	3,565,000 ^a	4,011,980
Industrial Development Corp. of Port of Corpus Christi, Revenue (Valero Refining and Marketing Co. Project)	5.40	4/1/18	2,350,000	2,431,686
Port of Corpus Christi Authority of Nueces County, Revenue (Union Pacific Corp. Project)	5.65	12/1/22	4,500,000	4,723,380
Sabine River Authority, PCR (TXU Energy Co. LLC Project) Texas (Veterans Housing Assistance Program) (Collateralized; FHA)	6.15	8/1/22	2,500,000	2,717,850
Utah 1.1%	6.10	6/1/31	7,000,000	7,377,510
Utah Housing Finance Agency, Single Family Mortgage (Collateralized; FHA)	6.00	1/1/31	235,000	239,472
Vermont 1.1%				
Vermont Educational and Health				

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Buildings Financing Agency, Revenue (Saint Michael's College Project)	6.00	10/1/28	1,500,000	1,682,400
Vermont Housing Finance Agency, Single Family Housing (Insured; FSA)	6.40	11/1/30	565,000	572,531
Washington 2.7%				
Washington Higher Educational Facilities Authority, Revenue (Whitman College)	5.88	10/1/09	5,000,000 ^a	5,331,550

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
West Virginia 3.8%				
Braxton County, SWDR (Weyerhaeuser Co. Project)	5.80	6/1/27	7,450,000	7,635,505
Wisconsin 5.1%				
Badger Tobacco Asset Securitization Corp., Tobacco Settlement Asset-Backed Bonds	7.00	6/1/28	2,500,000	2,802,975
Wisconsin Health and Educational Facilities Authority, Revenue (Aurora Health Care, Inc.)	5.60	2/15/29	4,975,000	5,164,747
Wisconsin Health and Educational Facilities Authority, Revenue (Marshfield Clinic)	5.38	2/15/34	2,000,000	2,109,700
Wyoming 0.8%				
Sweetwater County, SWDR (FMC Corp. Project)	5.60	12/1/35	1,500,000	1,583,865
U.S. Related 14.4%				
Puerto Rico Highway and Transportation Authority, Transportation Revenue (Insured; MBIA)	6.10	7/1/38	8,000,000 ^{c,d}	8,227,720
Puerto Rico Highway and Transportation Authority, Transportation Revenue (Insured; MBIA)	6.10	7/1/38	10,000,000 ^{c,d}	10,284,650
Puerto Rico Infrastructure Financing Authority, Special Tax Revenue	5.00	7/1/46	2,000,000	2,060,440
Puerto Rico Infrastructure Financing Authority, Special Tax Revenue (Insured; AMBAC)	5.96	7/1/15	8,000,000 ^{c,d}	8,225,800
Total Long-Term				

Municipal Investments

(cost \$293,903,066)

313,015,983The Fund **15**

STATEMENT OF INVESTMENTS (continued)

**Short-Term Municipal
Investment 4%**

	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Montana;				
Montana Facility Finance Authority, Revenue (Sisters of Charity of Leavenworth Health System) (Liquidity Facility; JPMorgan Chase Bank) (cost \$700,000)	3.89	10/1/06	700,000 ^e	700,000
Total Investments (cost \$294,603,066)			157.8%	313,715,983
Liabilities, Less Cash And Receivables			(7.5%)	(14,876,684)
Preferred Stock, at redemption value			(50.3%)	(100,000,000)
Net Assets Applicable to Common Shareholders			100.0%	198,839,299

^a 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.

^b Non-income producing security; interest payments in default.

^c Collateral for floating rate borrowings.

^d 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 September 30, 2006, these securities amounted to \$38,326,670 or 19.3% of net assets applicable to common shareholders.

^e Securities payable on demand. Variable interest rate subject to periodic change.

^f At September 30, 2006, the fund had \$52,222,206 or 26.3% of net assets applicable to common shareholders invested in securities whose payment of principal and interest is dependent upon revenues generated from health care projects.

The Fund **17**

STATEMENT OF INVESTMENTS (continued)

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Summary of Combined Ratings (Unaudited)

Fitch	or Moody's	or	Standard & Poor's	Value (%)
AAA	Aaa		AAA	23.1
AA	Aa		AA	16.8
A	A		A	29.9
BBB	Baa		BBB	25.7
B	B		B	1.2
Not Rated ^g	Not Rated ^g		Not Rated ^g	3.3
				100.0

^h Based on total investments.
^g Securities which, while not rated by Fitch, Moody's and Standard & Poor's, have been determined by the Manager to be of comparable quality to those rated securities in which the fund may invest.
 See notes to financial statements.

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STATEMENT OF ASSETS AND LIABILITIES

September 30, 2006

	Cost	Value
Assets (\$):		
Investments in securities—See Statement of Investments	294,603,066	313,715,983
Cash		76,131
Interest receivable		