

DREYFUS STRATEGIC MUNICIPALS INC
Form N-CSR
June 01, 2005

**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 811-5245

Dreyfus Strategic Municipals, 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: 3/31/05

P:\Edgar Filings\Pending\853 previously 000\NCSR-SEMI-853-5-2005\formncsrsemi853.DOC

FORM N-CSR

Item 1. Reports to Stockholders.

**Dreyfus Strategic
Municipals, Inc.**

SEMIANNUAL REPORT March 31, 2005

Dreyfus Strategic Municipals, 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

Contents

THE FUND

2	Letter from the Chairman
3	Discussion of Fund Performance
6	Statement of Investments.
18	Statement of Assets and Liabilities
19	Statement of Operations
20	Statement of Changes in Net Assets
21	Financial Highlights
23	Notes to Financial Statements

30 Information About the Review and Approval
of the Fund's Management Agreement

37 Officers and Directors
FOR MORE INFORMATION

Back Cover

The Fund

Dreyfus Strategic Municipals, Inc.

LETTER FROM THE CHAIRMAN

Dear Shareholder:

This semiannual report for Dreyfus Strategic Municipals, Inc. covers the six-month period from October 1, 2004, through March 31, 2005. Inside, you'll find valuable information about how the fund was managed during the reporting period, including a discussion with the fund's portfolio manager, W. Michael Petty.

Rising energy prices, an improving labor market and robust economic growth appear to have rekindled investors' inflation concerns. Indeed, in its comments accompanying its latest increase in short-term interest rates, the Federal Reserve Board's Federal Open Market Committee indicated that pricing power is "more evident." As a result, the municipal bond market recently gave back a portion of its previous gains.

Nonetheless, most analysts agree that fixed-income securities generally have held up well compared to previous periods of rising short-term interest rates. Strong investor demand and a more moderate supply of newly issued securities have supported prices of municipal bonds. In our view, the tax-exempt bond market's relative strength represents yet another example of how a long-term investment perspective and a steady asset allocation strategy can benefit investors. As always, we encourage you to talk regularly with your financial advisor about the investment strategies that may be appropriate for you.

Thank you for your continued confidence and support.

2

DISCUSSION OF FUND PERFORMANCE

W. Michael Petty, Portfolio Manager

How did Dreyfus Strategic Municipals, Inc. perform relative to its benchmark?

For the six-month period ended March 31, 2005, the fund achieved a total return of 3.93%.¹ During the same period, the fund provided income dividends of \$0.2960 per share, which is equal to a distribution rate of 7.25%.²

Relatively strong performance among municipal bonds during the fourth quarter of 2004 was offset by weakness in the first quarter of 2005 as investors reacted to rising interest rates and inflationary pressures in the recovering economy.

What is the fund's investment approach?

The fund's investment objective is 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 its net assets in municipal obligations. Generally, the fund invests at least 50% of its net assets in municipal bonds considered investment-grade or the unrated equivalent as determined by Dreyfus in the case of bonds, and 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 the portfolio by 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. When we believe an opportunity exists, we also may seek to upgrade the portfolio's investments with newly issued bonds that, in our opinion, have better structural or income characteristics than existing holdings.

The Fund 3

DISCUSSION OF FUND PERFORMANCE *(continued)*

What other factors influenced the fund's performance?

Although the Federal Reserve Board (the "Fed") already had raised short-term interest rates in several separate moves by the time the reporting period began, most fixed-income securities continued to rally during the final months of 2004 as inflationary pressures appeared to remain low in a moderately growing economy. Indeed, contrary to historical norms, yields of longer-term securities fell instead of rising along with short-term rates.

These circumstances changed during the first quarter of 2005, however, when rising commodity prices and gradual gains in the U.S. labor market sparked renewed inflation concerns. In its statement accompanying its March 2005 rate hike, the Fed confirmed that inflationary pressures were building when it noted that pricing power appeared to be returning to businesses. As a result, prices of longer-term municipal bonds generally fell sharply and their yields rose over the first three months of 2005.

The adverse effects of higher interest rates and rising inflationary pressures were exacerbated somewhat by a greater supply of newly issued tax-exempt securities. Narrower yield differences among bonds of various maturities presented many issuers with the opportunity to refinance existing debt at lower rates. As a result new issuance compared to the same period one year earlier increased by almost 5%, and, in fact, issuance volume in the first quarter of 2005 hit an all-time record.

In this changing environment, we adopted a more defensive investment posture by reducing the fund's effective average duration from a point that was slightly longer than industry averages to one that was shorter than average. This shift enabled the fund to withstand the full brunt of heightened market volatility during the first quarter of 2005. In addition, the fund continued to benefit from competitive levels of income from its core holdings of seasoned municipal bonds.

However, we generally have been unable to replace those seasoned holdings with comparable-yielding securities when they mature or are redeemed early by their issuers. Consequently, the fund's divi-

4

dend distribution rate was reduced during the reporting period to adjust for prevailing and expected market conditions in the still-low interest-rate environment.

Nonetheless, we have continued to attempt to boost the fund's income levels by adding higher-coupon securities backed by states' settlement of litigation with U.S. tobacco companies and corporate-backed municipal bonds with credit ratings in the "triple-B" range, which is the lowest of the "investment-grade" rating categories. As a result, the

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

fund's overall credit quality has moved from the lower end of the "double-A" range to the higher end of the "single-A" range.

What is the fund's current strategy?

We have attempted to maintain the fund's holdings of seasoned bonds for as long as possible to capture their higher yields. When these holdings mature or are redeemed early by their issuers, we generally have reinvested the proceeds in income-oriented securities, including those backed by corporations. When purchasing new securities, we typically have focused on investment-grade bonds selling at premiums to their face values, which tend to provide more competitive income levels. In addition, securities with these characteristics historically have held up relatively well during market declines. In our judgment, these are prudent strategies in today's rising interest-rate environment.

April 15, 2005

- 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.

The Fund 5

STATEMENT OF INVESTMENTS

March 31, 2005 (Unaudited)

Long-Term Municipal Investments 147.4%	Principal Amount (\$)	Value (\$)
Alabama 7.3%		
Houston County Health Care Authority		
6.25%, 10/1/2030 (Insured; AMBAC)	8,000,000	8,934,560
Jefferson County, Limited Obligation School Warrant:		
5.25% 1/1/2018	21,000,000	22,127,280
5.50%, 1/1/2022	4,000,000	4,268,480
Sewer Revenue 5.25%, 2/1/2023 (Insured; FGIC) (Prerefunded 8/1/2012)	5,000,000	5,489,500
Alaska 0.7%		
Alaska Housing Finance Corp.		
6%, 6/1/2049 (Insured; MBIA)	4,000,000	4,148,880
Arkansas 2.1%		
Arkansas Development Finance Authority, SFMR (Mortgage Backed Securities Program):		
6.45%, 7/1/2031 (Guaranteed; GNMA, FNMA)	1,540,000	1,608,699
6.25%, 1/1/2032 (Guaranteed; GNMA)	3,550,000	3,641,839
Little Rock School District		
5.25%, 2/1/2030 (Insured; FSA)	6,000,000	6,313,680
Arizona 5.9%		
Coconino County Pollution Control Corp., PCR (Nevada Power Co. Project) 6.375%, 10/1/2036		
	2,500,000	2,545,900

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

Maricopa Pollution Control Corp., PCR (Public Service Co.) 5.75%, 11/1/2022	6,000,000		6,141,780
Pima County Industrial Development Authority, Industrial Revenue (Tucson Electric Power Co. Project) 6%, 9/1/2029	14,080,000		14,079,437
Scottsdale Industrial Development Authority, HR (Scottsdale Healthcare) 5.80%, 12/1/2031	6,000,000		6,416,520
Tucson, Water System Revenue 5%, 7/1/2021 (Insured; FGIC)	3,500,000		3,646,790
California \square 14.3%			
California Infrastructure and Economic Development Bank, Revenue (Bay Area Toll Bridges) 5.25%, 7/1/2017 (Insured; FSA)	12,360,000		13,473,883
State of California:			
8.563%, 12/1/2018 (Insured; FSA)	10,000,000	b,c	10,232,400
5.50%, 4/1/2028	4,000,000		4,316,400
5.25%, 4/1/2034	5,000,000		5,239,200
Economic Recovery 5%, 7/1/2016	10,000,000		10,577,600

6

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
California (continued)		
California Department of Water Resources, Power Supply Revenue 5.125%, 5/1/2018 (Insured; FGIC)	6,000,000	6,374,760
California Pollution Control Financing Authority, SWDR (Keller Canyon Landfill Co. Project) 6.875%, 11/1/2027	2,000,000	2,021,200
Golden State Tobacco Securitization Corp., Tobacco Settlement Revenue: 7.80%, 6/1/2042	8,100,000	9,211,644
7.90%, 6/1/2042 (LOC; Bank of New York)	2,000,000	2,287,400
Los Angeles Unified School District 5.25%, 7/1/2020 (Insured; FSA)	7,200,000	7,784,640
Oakland 5%, 1/15/2026 (Insured; MBIA)	2,760,000	2,857,897
State Public Works Board of California, Lease Revenue, Department of General Services (Butterfield State Office Complex) 5.25%, 6/1/2030	5,000,000	5,197,350
Colorado \square 3.7%		

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

Denver City and County, Special Facilities Airport Revenue (United Airlines Project) 6.875%, 10/1/2032	6,950,000 ^d	5,924,875
Northwest Parkway Public Highway Authority, Revenue 7.125%, 6/15/2041	8,750,000	9,362,238
Silver Dollar Metropolitan District 7.05%, 12/1/2030	4,935,000	5,263,523
Southlands Metropolitan District Number 1 7.125%, 12/1/2034	2,000,000	2,183,860
Florida 3.9%		
Deltona, Utilities System Revenue 5.125% 10/1/2027 (Insured; MBIA)	6,000,000	6,281,880
Florida Housing Finance Corp., Housing Revenue (Nelson Park Apartments) 6.40%, 3/1/2040 (Insured; FSA)	12,380,000	13,001,724
Orange County Health Facility Authority, HR (Regional Healthcare Systems) 6%, 10/1/2026	2,000,000	2,103,800
Georgia-2.2%		
Augusta, Water and Sewer Revenue 5.25%, 10/1/2039 (Insured; FSA)	3,000,000	3,165,030
The Fund 7		

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
Georgia (continued)		
Brooks County Development Authority, Sewer Revenue, Health and Housing Facilities 5.70%, 1/20/2039 (Insured; GNMA)	4,445,000	4,833,315
Milledgeville-Baldwin County Development Authority, Revenue (Georgia College & State Foundation): 6% 9/1/2013	2,090,000	2,280,462
6%, 9/1/2033	2,000,000	2,127,100
Hawaii 0.6%		
Hawaii Department of Transportation, Special Facility Revenue (Caterair International Corp. Project) 10.125%, 12/1/2010	3,200,000	3,200,832
Idaho 0.6%		
Power County Industrial Development Corp, SWDR (FMC Corp. Project)		

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

6.45%, 8/1/2032	3,250,000	3,325,953
Illinois 9.2%		
Chicago:		
6.125%, 1/1/2028 (Insured; FGIC) (Wastewater Transmission Revenue)	15,815,000	17,848,018
6%, 1/1/2030 (Insured; MBIA) (Prerefunded 1/1/2010)	3,000,000 ^a	3,381,030
Chicago-O'Hare International Airport, Special Facility Revenue:		
(American Airlines Inc. Project)		
8.20%, 12/1/2024 (United Airlines Inc. Project)	5,000,000	4,158,150
6.75%, 11/1/2011	2,000,000 ^d	695,000
Illinois Educational Facilities Authority, Revenue (University Of Chicago)		
5.125%, 7/1/2038 (Insured; MBIA)	7,000,000	7,121,800
Illinois Health Facilities Authority, Revenue:		
(Advocate Network Health Care)		
6.125%, 11/15/2022 (OSF Healthcare System)	4,020,000	4,428,030
6.25%, 11/15/2029 (Swedish American Hospital)	7,730,000	8,243,349
6.875%, 11/15/2030	4,980,000	5,821,471

8

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
Indiana 2.8%		
Franklin Township Independent School Building Corp., First Mortgage 6.125%, 1/15/2022 (Prerefunded 7/15/2010)		
	6,500,000 ^a	7,467,005
Indiana Housing Finance Authority, SFMR		
5.95%, 1/1/2029	1,215,000	1,245,557
Petersburg, PCR (Indiana Power and Light)		
6.375%, 11/1/2029	4,150,000	4,425,062
Sullivan, Industrial Pollution Control Revenue (Hoosier Energy-Merom Project)		
7.10%, 4/1/2019	2,500,000	2,519,200
Kansas 3.6%		
Kansas Development Finance Authority, Revenue: (Board of Regents-Scientific Resource)		
5%, 10/1/2021 (Insured; AMBAC)	5,290,000	5,582,325

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

Health Facility (Sisters of Charity)		
6.25%, 12/1/2028	3,000,000	3,334,290
Wichita, HR (Christian Health System Inc.)		
6.25%, 11/15/2024	10,000,000	10,902,100
Louisiana 3.3%		
Parish of Saint James, SWDR (Freeport-McMoRan Partnership Project)		
7.70%, 10/1/2022	1,390,000	1,392,321
Maine 6.6%		
Maine Housing Authority, Mortgage		
5.30%, 11/15/2023	3,335,000	3,480,339
Maryland 1.4%		
Maryland Economic Development Corp., Student Housing Revenue (University of Maryland):		
6.50%, 6/1/2027	3,000,000	3,288,960
5.75%, 10/1/2033	4,500,000	4,662,045
Massachusetts 2.5%		
Massachusetts Industrial Finance Agency, Revenue (Ogden Haverhill Project)		
5.60%, 12/1/2019	6,000,000	6,133,440
Massachusetts Health and Educational Facilities Authority, Revenue:		
(Civic Investments) 9%, 12/15/2015	2,000,000	2,304,960
(Partners Healthcare System)		
5.75%, 7/1/2032	5,000,000	5,415,900

The Fund 9

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Principal	Amount (\$)	Value (\$)
Michigan 5.1%			
Kent Hospital Finance Authority, Revenue (Metropolitan Hospital Project)			
6.25%, 7/1/2040	3,000,000		3,220,650
Michigan Hospital Finance Authority, HR: (Ascension Health Credit)			
6.125%, 11/15/2026 (Prerefunded 11/15/2009)	5,000,000	a	5,631,100
(Genesys Health System Obligated Group)			
8.125%, 10/1/2021 (Prerefunded 10/1/2005)	5,000,000	a	5,239,050
Michigan Strategic Fund:			
RRR (Detroit Edison Co.)			
5.25%, 12/15/2032	3,000,000		3,135,000
SWDR (Genesee Power Station Project)			
7.50%, 1/1/2021	11,940,000		11,313,628

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

Minnesota 2.7%

Duluth Economic Development Authority, Health Care Facilities Revenue (Saint Luke's Hospital) 7.25%, 6/15/2032	5,000,000	5,231,650
Saint Paul Port Authority, Hotel Facility Revenue (Radisson Kellogg Project) 7.375%, 8/1/2029	3,000,000	3,133,350
United Hospital District of Todd, Morrison, Cass and Wadena Counties, General Obligation Health Care Facilities Revenue (Lakewood Health System) 5.125%, 12/1/2024	1,500,000	1,524,015
Winona, Health Care Facilities Revenue (Winona Health) 6%, 7/1/2026	5,000,000	5,189,850

Mississippi 3.4%

Claiborne County, PCR (System Energy Resources, Inc.) 6.20%, 2/1/2026	4,545,000	4,545,727
Mississippi Business Finance Corp., PCR (System Energy Resources Inc. Project) 5.875%, 4/1/2022	14,310,000	14,482,292

Missouri 2.5%

Missouri Development Finance Board, Infrastructure Facilities Revenue (Branson): 5.375%, 12/1/2027	2,000,000	2,067,060
5.50%, 12/1/2032	4,500,000	4,669,065
Missouri Health and Educational Facilities Authority, Health Facilities Revenue (Saint Anthony's Medical Center) 6.25%, 12/1/2030	6,750,000	7,162,965

10

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
Montana 2.4%		
Montana Board of Housing, Single Family Mortgage 6.45%, 6/1/2029	2,205,000	2,241,691
Nevada 2.5%		
Washoe County (Reno-Sparks Convention Center) 6.40%, 7/1/2029 (Insured; FSA) (Prerefunded 1/1/2010)	12,000,000 ^a	13,630,800
New Hampshire 2.7%		
New Hampshire Business Finance Authority, PCR (Public Service Co. of New Hampshire) 6%, 5/1/2021 (Insured; AMBAC)	7,000,000	7,613,900
New Hampshire Health and Educational Facilities		

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

Authority, Revenue (Exeter Project):		
6%, 10/1/2024	1,000,000	1,086,210
5.75%, 10/1/2031	1,000,000	1,057,280
New Hampshire Industrial Development Authority, PCR (Connecticut Light and Power)		
5.90%, 11/1/2016	5,000,000	5,124,650
New Jersey 5.6%		
New Jersey Economic Development Authority, Cigarette Tax Revenue 5.75%, 6/15/2034	2,500,000	2,620,800
New Jersey Health Facilities Financing Authority, Revenue (Christian Health Care Center)		
8.75%, 7/1/2018 (Prerefunded 7/1/2006)	13,265,000 ^a	14,352,465
New Jersey Transportation Trust Fund Authority, Transportation System		
5.50%, 6/15/2017	4,000,000	4,495,960
New Jersey Turnpike Authority, Turnpike Revenue		
5%, 1/1/2035 (Insured; AMBAC)	4,500,000	4,560,390
Tobacco Settlement Financing Corp. 7%, 6/1/2041	5,000,000	5,360,200
New Mexico 1.7%		
Farmington, PCR: (El Paso Electric Co. Project)		
6.375%, 6/1/2032	5,370,000	5,424,828
(Tucson Electric Power Co., San Juan)		
6.95%, 10/1/2020	4,000,000	4,188,320

The Fund **11**

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
New York 7.1%		
Long Island Power Authority, New York Electric System Revenue		
7.882% 12/1/2016	10,000,000 ^{b,c}	11,228,000
Tobacco Settlement Financing Corp.:		
5.50%, 6/1/2020	16,000,000	17,407,200
5.25%, 6/1/2021 (Insured; AMBAC)	5,000,000	5,332,800
Triborough Bridge and Tunnel Authority, Revenue 5.25%, 11/15/2030	5,220,000	5,495,042
North Dakota 0.3%		
North Dakota Housing Finance Agency,		

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

Home Mortgage Revenue (Housing Finance Program) 6.15%, 7/1/2031	1,665,000	1,685,163
Ohio 7.7%		
Cincinnati, Water System Revenue: 5%, 12/1/2021	3,800,000	3,937,332
5%, 12/1/2023	3,000,000	3,100,200
Cuyahoga County, Revenue 6%, 1/1/2032	750,000	818,925
Mahoning County, Hospital Facilities Revenue (Forum Health Obligation Group) 6%, 11/15/2032	7,000,000	7,447,650
Ohio Air Quality Development Authority, PCR (Cleveland Electric Illuminating) 6.10%, 8/1/2020 (Insured; ACA)	3,000,000	3,135,750
Ohio Municipal Electric Generation Agency (Joint Venture 5) 5%, 2/15/2022 (Insured; AMBAC)	4,500,000	4,694,670
Ohio Water Development Authority, Pollution Control Facilities Revenue (Cleveland Electric Illuminating) 6.10%, 8/1/2020 (Insured; ACA)	4,350,000	4,546,838
Toledo Lucas County Port Authority, Airport Revenue (Baxter Global Project) 6.25%, 11/1/2013	4,400,000	4,443,032
Trotwood-Madison City School District, School Improvement 5%, 12/1/2030 (Insured; FGIC)	10,495,000	10,807,436

12

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
Oklahoma 2.4%		
Oklahoma Industries Authority (Health System Obligated Group) 5.75%, 8/15/2029	12,230,000	13,357,851
Oregon 3.1%		
Port of Portland, International Airport Revenue (Portland International Airport) 5.50%, 7/1/2024 (Insured; AMBAC)	5,000,000	5,336,050
Tigard Tualatin School District No. 23 5.375%, 6/15/2019 (Insured; MBIA)	3,000,000	3,256,800
Western Generation Agency, Cogeneration Project Revenue (Wauna Cogeneration Project): 7.40%, 1/1/2016	5,750,000	5,893,923

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

7.125%, 1/1/2021	2,900,000	2,972,587
Pennsylvania 2.9%		
Abington School District		
5.125%, 10/1/2034 (Insured; FSA)	4,085,000	4,257,836
Pennsylvania Economic Development Financing Authority, Exempt Facilities Revenue (Reliant Energy Seward, LLC Project)		
6.75%, 12/1/2036	7,000,000	7,501,970
York County Hospital Authority, Revenue (Health Center/Lutheran Social Services)		
6.50%, 4/1/2022	4,250,000	4,241,330
South Carolina 3.8%		
Greenville County School District , Installment Purchase Revenue (Building Equity Sooner for Tomorrow):		
5.875%, 12/1/2016	6,000,000	6,905,700
5.50%, 12/1/2028	5,000	5,349
8.45%, 12/1/2028	7,810,000 ^{b,c}	8,901,369
Greenville Hospital System, Hospital Facilities Revenue		
5.50%, 5/1/2026 (Insured; AMBAC)	5,000,000	5,410,700
Tennessee 3.7%		
Johnson City Health and Educational Facilities Board, HR:		
7.50%, 7/1/2025	5,000,000	5,934,450
7.50%, 7/1/2033	3,000,000	3,544,350

The Fund **13**

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
Tennessee (continued)		
Memphis Center City Revenue Finance Corp., Tennessee Sports Facility Revenue (Memphis Redbirds) 6.50%, 9/1/2028	10,000,000	10,082,600
Tennessee Housing Development Agency (Homeownership Program) 6.40%, 7/1/2031	915,000	915,000
Texas 10.6%		
Alliance Airport Authority Inc., Special Facilities Revenue (American Airlines Inc. Project) 7.50%, 12/1/2029 (Insured; FSA)	3,500,000	2,472,435

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

Austin Convention Enterprises Inc.,		
Convention Center Hotel Revenue:		
5.75%, 1/1/2016	5,600,000	5,871,264
6.70%, 1/1/2028	4,000,000	4,267,920
5.75%, 1/1/2032	3,500,000	3,622,570
Dallas-Fort Worth International Airport Facilities		
Improvement Corp., Revenue		
(Bombardier Inc.) 6.15%, 1/1/2016	2,000,000	2,011,100
Harris County Health Facilities Development Corp.,		
HR (Memorial Hermann Hospital System Project)		
6.375%, 6/1/2029	8,500,000	9,351,275
Sabine River Authority, PCR		
(TXU Electric Co. Project)		
6.45%, 6/1/2021	11,300,000	12,071,338
Sam Rayburn Municipal Power Agency,		
Power Supply System Revenue		
5.75%, 10/1/2021	6,000,000	6,589,020
Texas Department of Housing and		
Community Affairs, Collateralized		
Home Mortgage Revenue 11.437%, 7/2/2024	1,800,000 ^b	1,835,712
Texas Turnpike Authority, Central Texas		
Turnpike System Revenue		
5.75%, 8/15/2038 (Insured; AMBAC)	7,100,000	7,843,228
Tyler Health Facilities Development Corp., HR		
(East Texas Medical Center Regional Health Care		
System Project) 6.75%, 11/1/2025		
	3,000,000	3,004,170

14

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
Utah 7%		
Carbon County, SWDR (Sunnyside Cogeneration)		
7.10%, 8/15/2023	4,027,000	3,956,528
Vermont 4%		
Vermont Housing Finance Agency, Single Family Housing		
6.40%, 11/1/2030 (Insured; FSA)	2,030,000	2,036,557
Virginia 3.1%		
Greater Richmond Convention Center Authority,		
Hotel Tax Revenue		
(Convention Center Expansion Project)		
6.25%, 6/15/2032	10,500,000	11,989,005

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

Isle Wight County Industrial Development Authority, Solid Waste Disposal Facilities Revenue (Union Camp Corp. Project) 6.55%, 4/1/2024	5,000,000	5,066,400
Washington 3.2%		
Energy Northwest, Wind Project Revenue 5.875%, 7/1/2020	3,000,000	3,230,970
Public Utility District No. 1 of Pend Orielle County, Electric Revenue 6.375%, 1/1/2015	3,755,000	3,872,569
Seattle, Water System Revenue 6%, 7/1/2029 (Insured; FGIC)	10,000,000	11,010,800
West Virginia 3.1%		
Braxton County, SWDR (Weyerhaeuser Co. Project) 6.125%, 4/1/2026	14,000,000	14,723,800
West Virginia Water Development Authority, Water Development Revenue 6.375%, 7/1/2039	2,250,000	2,526,278
Wisconsin 5.6%		
Badger Tobacco Asset Securitization Corp., Tobacco Settlement Revenue 7%, 6/1/2028 Madison, IDR (Madison Gas & Electric Co.) 5.875%, 10/1/2034	22,995,000 2,390,000	24,363,892 2,566,047
Wisconsin Health and Educational Facilities Authority, Health, Hospital and Nursing Home Revenue (Aurora Health Care Inc.) 6.40%, 4/15/2033	4,000,000	4,366,040

The Fund **15**

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
U. S. Related 1.4%		
Guam Housing Corp., SFMR 5.75%, 9/1/2031 (Collateralized; FHLMC)	965,000	1,045,828
Puerto Rico Highway and Transportation Authority, Transportation Revenue 6%, 7/1/2039 (Prerefunded 7/1/2010)	6,000,000 ^a	6,767,940
Total Long Term Investments (cost \$778,294,782)		823,206,148
Options 0.1%	Face Amount Covered by Contracts (\$)	Value (\$)

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

Put Options;		
U.S. Treasury 10 Year Notes June 2005 @107 (cost \$950,603)	3,170,000	643,906
Short-Term Investments 2.2%	Principal Amount (\$)	Value (\$)
Valdez Marine Term Revenue, VRDN (Exxon Pipeline Co. Project) 2.20% (cost \$900,000)	900,000 ^e	900,000
Total Investments (cost \$780,145,385)	147.7%	824,750,054
Cash and Receivables (Net)	3.3%	18,623,421
Preferred Stock, at redemption value	(51.0%)	(285,000,000)
Net Assets applicable to Common Shareholders	100.0%	558,373,475

16

Summary of Abbreviations

ACA	American Capital Access	HR	Hospital Revenue
AMBAC	American Municipal Bond Assurance Corporation	IDR	Industrial Development Revenue
FGIC	Financial Guaranty Insurance Company	MBIA	Municipal Bond Investors Assurance Insurance Corporation
FHLMC	Federal Home Loan Mortgage Corporation	PCR	Pollution Control Revenue
FNMA	Federal National Mortgage Association	RRR	Resources Recovery Revenue
FSA	Financial Security Assurance	SFMR	Single Family Mortgage Revenue
GNMA	Government National Mortgage Association	SWDR	Solid Waste Development Revenue
		VRDN	Variable Rate Demand Note

Summary of Combined Ratings (Unaudited)

Fitch	or Moody's or	Standard & Poor's Value (%)	
AAA	Aaa	AAA	32.9

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

AA	Aa	AA	11.5
A	A	A	17.4
BBB	Baa	BBB	22.0
BB	Ba	BB	5.0
B	B	B	.9
CCC	Caa	CCC	.8
F1	MIG1/P1	SP1/A1	.1
Not Rated ^f	Not Rated ^f	Not Rated ^f	9.4
			100.0

[□] Based on total investments.

^a 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 Inverse floater security□the interest rate is subject to change periodically.

^c 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. These securities have been determined to be liquid by the Board of Directors. At March 31, 2005, these securities amounted to \$30,361,769 or 5.4% of net assets applicable to Common Shareholders.

^d Non-Income producing security; interest payment in default.

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

^f 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.

The Fund **17**

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2005 (Unaudited)

	Cost	Value
Assets (\$):		
Investments in securities□See Statement of Investments	780,145,385	824,750,054
Cash		58,147
Interest receivable		14,790,399
Receivable for investment securities sold		12,808,793
Prepaid expenses		58,801
		852,466,194
Liabilities (\$):		
Due to The Dreyfus Corporation and affiliates□Note 3(b)		501,047
Payable for investment securities purchased		8,360,921
Dividends payable to Preferred Shareholders		46,777
Administrative service fees		2,782
Accrued expenses		181,192
		9,092,719

Auction Preferred Stock , Series M,T,W,Th and F par value \$.001 per share (11,400 shares issued and outstanding at \$25,000 per share liquidation preference)[]Note 1		285,000,000
Net Assets applicable to Common Shareholders (\$)		558,373,475
Composition of Net Assets (\$):		
Common Stock, par value \$.001 per share (60,588,631 shares issued and outstanding)		60,589
Paid-in capital		571,184,236
Accumulated undistributed investment income[]net		270,003
Accumulated net realized gain (loss) on investments		(57,746,022)
Accumulated net unrealized appreciation (depreciation) on investments and options transactions		44,604,669
Net Assets applicable to Common Shareholders (\$)		558,373,475
Shares Outstanding (500 million shares authorized)		60,588,631
Net Asset Value , per share of Common Stock (\$)		9.22

See notes to financial statements.

18

STATEMENT OF OPERATIONS

Six Months Ended March 31, 2005 (Unaudited)

Investment Income (\$):

Interest Income **23,150**