

DREYFUS STRATEGIC MUNICIPAL BOND FUND INC

Form N-30D

July 31, 2001

Dreyfus  
Strategic Municipal  
Bond Fund, Inc.

SEMIANNUAL REPORT

May 31, 2001

(reg.tm)

The views expressed herein are current to the date of this report. These views and the composition of the fund's portfolio are subject to change at any time based on market and other conditions.

\* 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
14	Statement of Assets and Liabilities
15	Statement of Operations
16	Statement of Changes in Net Assets
17	Financial Highlights
19	Notes to Financial Statements
25	Officers and Directors

FOR MORE INFORMATION

-----

Back Cover

The Fund

Dreyfus Strategic Municipal Bond Fund, Inc.

LETTER FROM THE CHAIRMAN

Dear Shareholder:

We present this semiannual report for Dreyfus Strategic Municipal Bond Fund, Inc., covering the six-month period from December 1, 2000 through May 31, 2001. Inside, you'll find valuable information about how the fund was managed during

## Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

the reporting period, including a discussion with the fund's portfolio manager, Paul Disdier.

While the past six months have been difficult for the U.S. economy, we have recently seen signs that improvement may be in sight. The Federal Reserve Board's aggressive easing of monetary policy produced a 2.5 percentage-point drop in short-term interest rates, a move designed to stimulate economic growth by reducing borrowing costs for corporations and consumers. Passage of a \$1.3 trillion federal tax cut should further stimulate economic growth, as should reduced inventories of products on manufacturers' shelves. Based on these and other factors, we believe that the current economic slowdown should give way to renewed economic growth later this year.

In our view, the implications of this economic scenario could be positive for the tax-exempt bond market. Although bond prices generally tend to fall when interest rates rise, better economic times should support the fiscal health of the states, cities, towns and other municipalities that issue tax-exempt bonds. Because municipal bonds often respond more to supply-and-demand forces than to interest-rate trends, a stronger economy may benefit the municipal marketplace.

Of course, our economic perspectives may change as new information becomes available. We encourage you to contact your financial advisor for information about ways to refine your investment strategies in the current environment

Thank you for your continued confidence and support.

Sincerely,

Stephen E. Canter  
Chairman and Chief Executive Officer  
The Dreyfus Corporation  
June 15, 2001

### DISCUSSION OF FUND PERFORMANCE

Paul Disdier, Portfolio Manager

How did Dreyfus Strategic Municipal Bond Fund, Inc. perform during the period?

For the six-month reporting period ended May 31, 2001, Dreyfus Strategic Municipal Bond Fund, Inc. provided a total return of 6.32%.<sup>(1)</sup> The fund produced aggregate income dividends of \$0.2802 per share, which is equal to an annualized distribution rate of 6.33% over the same period.<sup>(2)</sup>

We attribute the market and fund's performance to a generally favorable environment for municipal bonds as interest rates fell in a weakening economy. In addition, the fund's performance was enhanced by our security selection strategy, which was designed to maximize current income.

What is the fund's investment approach?

The fund seeks high current income exempt from federal income taxes by investing in long-term, tax-exempt municipal bonds.

In so doing, we look for bonds that we believe can provide high current income. We strive to find such opportunities through analysis of individual bonds' structures. Within the context of our bond structure analyses, we pay particularly close attention to each bond's maturity and early redemption

features.

Over time, many of the fund's older, higher yielding bonds have matured or were redeemed by their issuers. We have generally attempted to replace those bonds with new securities that offered currently higher than average income payments. We have also sought to upgrade the fund with newly issued bonds that, in our opinion, have better structural or income characteristics than existing holdings. When such opportunities arise, we usually sell bonds that are close to

The Fund

DISCUSSION OF FUND PERFORMANCE (CONTINUED)

their optimal redemption date or maturity. In addition, we conduct credit analysis of our holdings in an attempt to avoid potential defaults on interest and principal payments.

What other factors influenced the fund's performance?

Falling interest rates in a weakening economy represented an important driver of the fund's performance. When the six-month reporting period began, ongoing economic deterioration caused tax-exempt yields to decline modestly. The Federal Reserve Board began to take steps to stimulate economic growth in early January 2001, when it implemented the first of the reporting period's five short-term interest-rate cuts for a total reduction of 250 basis points. In this declining interest-rate environment, yields on newly issued municipal bonds fell.

In addition, the municipal bond market was strongly influenced by supply-and-demand factors. Because of strong tax revenues in 1999 and 2000, many municipalities had little need to borrow. As a result, the supply of municipal bonds was generally lower than the same period one year earlier. At the same time, however, demand for high quality, tax-exempt securities surged from investors seeking a safe haven from a declining stock market. These technical factors put additional downward pressure on municipal bond yields.

In this declining interest-rate environment, we strove to maximize the fund's current income. We attempted to do so by using the proceeds of maturing and redeemed bonds to purchase tax-exempt securities with competitive yields, including bonds issued to finance health care and airport facilities. We also purchased bonds backed by certain states' settlements with tobacco companies, as well as bonds issued to pay for the construction of convention centers. On the other hand, we sold bonds that we believed might be adversely affected by deteriorating credit quality in a weakening economy. These sales included a small number of bonds that had been favorably affected by the successful resolution of credit concerns.

In addition, we took steps to improve the fund's credit profile during the reporting period by increasing the diversity of the fund's holdings and focusing on bonds that are highly rated by independent credit-rating agencies. In an environment with reduced differences in yields between high quality and lower quality bonds, it made little sense to assume the risks that lower rated bonds typically entail.

What is the fund's current strategy?

We have continued to manage the fund with a defensive bias, emphasizing high levels of tax-exempt income. While this has been a particularly challenging task in a declining interest-rate environment, we successfully maintained the fund's dividend through our attempts during the reporting period to protect the fund from the effects of early redemptions, maintained a relatively modest average

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

duration, and took advantage of widening yield differences among bonds of various maturities. In addition, the investments we made with the proceeds of the fund's issuance of auction-rate preferred stock in January 2000 continued to support our efforts to maximize income. Of course, we are prepared to modify our strategy if and when economic and market conditions change.

June 15, 2001

(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. 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 ANNUALIZED, DIVIDED BY THE MARKET PRICE PER SHARE AT THE END OF THE PERIOD.

The Fund

May 31, 2001 (Unaudited)

STATEMENT OF INVESTMENTS

	Pr Amo
LONG-TERM MUNICIPAL INVESTMENTS--98.2%	
-----	
ALABAMA--.5%	
Alabama Industrial Development Authority, SWDR	
(Pine City Fiber Co.) 6.45%, 12/1/2023	3,0
ALASKA--3.4%	
Alaska Housing Finance Corporation:	
6.25%, 6/1/2035 (Insured; MBIA)	7,8
6.05%, 6/1/2039 (Insured; MBIA)	12,1
ARIZONA--1.3%	
Apache County Industrial Development Authority, PCR	
(Tuscon Electric Power Co.) 5.85%, 3/1/2028	8,5
ARKANSAS--.9%	
Arkansas Development Finance Authority, SFMR	
6.25%, 1/1/2032	5,0
CALIFORNIA--1.4%	
California Health Facilities Financing Authority,	
Health Facility Financing Revenue	

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

(Cedars-Sinai Medical Center) 6.25%, 12/1/2034	3,7
California Statewide Communities Development Authority, COP	
(The Internext Group) 5.375%, 4/1/2030	5,0
COLORADO--.3%	
Colorado Health Facilities Authority, Revenue	
(American Housing Foundation 1, Inc.) 10.25%, 12/1/2020	5,6
CONNECTICUT--2.3%	
Connecticut Development Authority, PCR	
(Connecticut Light and Power) 5.95%, 9/1/2028	14,0
DELAWARE--1.0%	
Delaware Health Facilities Authority, Revenue	
(Beebe Medical Center) 6.80%, 6/1/2024	5,9
DISTRICT OF COLUMBIA--2.3%	
District of Columbia Tobacco Settlement Financing Authority	
6.75%, 5/15/2040	7,0
Metropolitan Washington Airports Authority,	
Special Facilities Revenue	
(Caterair International Corp.) 10.125%, 9/1/2011	6,8
FLORIDA--5.5%	
Florida Housing Finance Corporation, Housing Revenue	
(Seminole Ridge Apartments) 6%, 4/1/2041 (Insured; GNMA)	6,4
Florida Board of Education, Capital Outlay 8.921%, 6/1/2019	15,0
Lee County Industrial Development Authority,	
Health Care Facilities Revenue	
(Shell Point Village) 5.50%, 11/15/2029	1,5
LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)	Pr Amo
-----	
FLORIDA (CONTINUED)	
Orange County Health Facilities Authority, Revenue	
(Orlando Regional Healthcare System) 6%, 10/1/2026	3,5

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

South Lake County Hospital District, Revenue

(South Lake Hospital, Inc.) 5.80%, 10/1/2034

6,0

GEORGIA--1.7%

Private Colleges and Universities Facilities Authority, Revenue

(Clark Atlanta University)

8.25%, 1/1/2015 (Prerefunded 1/1/2003)

9,2

IDAHO--.4%

Idaho Housing and Finance Association, SFMR

6.35%, 1/1/2030 (Insured; FNMA)

2,5

ILLINOIS--5.3%

Chicago-O'Hare International Airport, Special Facility Revenue:

(Delta Airlines) 6.45%, 5/1/2018

2,7

(United Air Lines) 6.30%, 5/1/2016

4,5

Illinois Development Finance Authority, Revenue:

(Community Rehabilitation Providers Facilities

Acquisition Program)

6.05%, 7/1/2019

5,2

HR (Adventist Health Systems/Sunbelt)

5.50%, 11/15/2029

4,1

Illinois Health Facilities Authority, Revenue:

(OSF Healthcare Systems) 6.25%, 11/15/2029

12,0

(Advocate Network Health Care) 6.125%, 11/15/2022

4,0

INDIANA--5.2%

Burns Harbor Industrial Solid Waste Disposal Facilities, Revenue

(Bethlehem Steel Corp.) 8%, 4/1/2024

6,0

Franklin Township School Building Corp.

6.125%, 1/15/2022

6,0

Indianapolis Airport Authority, Revenue:

9.159%, 11/15/2031

4,3

Special Facilities (United Air Lines) 6.50%, 11/15/2031

12,1

Jasper County, EDR (Georgia Pacific Corp.)

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

5.60%, 4/1/2029	7,0
KENTUCKY--.5%	
Kenton County Airport Board, Airport Revenue	
(Special Facilities--Delta Airlines) 6.125%, 2/1/2022	3,0
LOUISIANA--4.1%	
Lake Charles Harbor and Terminal,	
District Port Facilities Revenue	
(Trunkline LNG Co.) 7.75%, 8/15/2022	15,0
STATEMENT OF INVESTMENTS (Unaudited) (CONTINUED)	
LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)	Pr Amo
-----	
LOUISIANA (CONTINUED)	
Parish of De Soto, Environmental Improvement Revenue	
(International Paper Co.) 6.55%, 4/1/2019	2,9
West Feliciana Parish, PCR:	
(Entergy Gulf States) 6.60%, 9/1/2028	4,0
(Gulf States) 5.80%, 12/1/2015	2,5
MARYLAND--1.0%	
Baltimore County, PCR (Bethlehem Steel Corp.)	
7.50%, 6/1/2015	5,0
Maryland Industrial Development Financing Authority, EDR	
(Medical Waste Associates Limited Partnership)	
8.75%, 11/15/2010	4,1
MASSACHUSETTS--.7%	
Massachusetts Health and Educational Facilities	
Authority, Revenue (Beth Israel Hospital)	
7.883%, 7/1/2025 (Insured; AMBAC)	3,2
Pittsfield, SWDR (Vicon Recovery Associates)	
7.95%, 11/1/2004	1,1
MICHIGAN--1.6%	

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

Michigan Hospital Finance Authority, HR	
(Genesys Health System Obligated Group)	
8.125%, 10/1/2021 (Prerefunded 10/1/2005)	5,0
Michigan Strategic Fund, SWDR	
(Genesee Power Station) 7.50%, 1/1/2021	4,0
MISSISSIPPI--1.4%	
Mississippi Business Finance Corporation, PCR	
(Systems Energy Resources, Inc.)	
5.90%, 5/1/2022	9,0
MISSOURI--1.6%	
Jackson County Industrial Development Authority,	
Health Facilities Revenue	
(Carondelet Health Corp.) 9%, 7/1/2020	6,6
Saint Louis Industrial Development Authority	
(Saint Louis Convention) 7.25%, 12/15/2035	3,2
NEVADA--3.3%	
Clark County, IDR:	
(Nevada Power Company)	
5.50%, 10/1/2030	7,0
(Southwest Gas Corporation)	
6.50%, 12/1/2033	5,0
Washoe County (Reno-Sparks Convention)	
6.40%, 7/1/2029 (Insured; FSA)	8,0
LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)	Pr Amo
-----	
NEW HAMPSHIRE--1.8%	
New Hampshire Industrial Development Authority, PCR	
(Connecticut Light) 5.90%, 11/1/2016	5,4
New Hampshire Business Finance Authority, PCR	
(Public Service Co.) 6%, 5/1/2021	6,0
NEW JERSEY--3.2%	



## Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

New Jersey Economic Development Authority:

First Mortgage Revenue

(The Evergreens) 9.25%, 10/1/2022 4,9

Special Facilities Revenue (Continental Airlines, Inc.):

6.40%, 9/15/2023 7,0

7.20%, 11/15/2030 7,0

NEW YORK--2.3%

New York City

8%, 8/15/2018 (Prerefunded 8/15/2001) 1,4

New York City Industrial Development Agency,

Civic Facility Revenue

(YMCA of Greater New York)

8%, 8/1/2016 (Prerefunded 8/1/2001) 2,9

New York State Dormitory Authority, Revenue:

Judicial Facility Lease (Suffolk County) 9.50%, 4/15/2014 6

(Marymount Manhattan College) 6.25%, 7/1/2029 4,0

Tsasc, Inc. 6.375%, 7/15/2039 4,5

NORTH CAROLINA--.4%

North Carolina Eastern Municipal Power Agency,

Power Systems Revenue 6.70%, 1/1/2019 2,5

OHIO--2.7%

Cuyahoga County, HR (Metrohealth Systems)

6.15%, 2/15/2029 10,0

Ohio Air Quality Development Authority, PCR

6.10%, 8/1/2020 2,4

Ohio Water Development Authority, PCR

(Cleveland Electric) 6.10%, 8/1/2020 4,0

OKLAHOMA--2.4%

Oklahoma Development Finance Authority, Revenue

(St. John Health System) 6%, 2/15/2029 9,0

Oklahoma Industries Authority, Health System Revenue

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

(Obligation Group) 5.75%, 8/15/2029 (Insured; MBIA)	5,0
PENNSYLVANIA--4.6%	
Allegheny County Port Authority,	
Special Transportation Revenue	
6.125%, 3/1/2029 (Insured; MBIA)	4,7

STATEMENT OF INVESTMENTS (Unaudited) (CONTINUED)

LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED) Pr  
Amo

---

PENNSYLVANIA (CONTINUED)	
Beaver County Industrial Development Authority, PCR	
(Cleveland Electric) 7.625%, 5/1/2025	8,8
Pennsylvania Economic Development Financing Authority:	
Exempt Facilities Revenue (National Gypsum Company)	
6.125%, 11/1/2027	5,0
RRR (Northhampton Generating Project)	
6.60%, 1/1/2019	4,2
Pennsylvania Housing Finance Agency,	
Multi-Family Development Revenue	
8.25%, 12/15/2019	2
Washington County Authority, Capital Funding Revenue	
(Capital Projects and Equipment Program)	
6.15%, 12/1/2029 (Insured; AMBAC)	5,0
RHODE ISLAND--1.0%	
Rhode Island Health and Educational Building Corporation	
Higher Educational Facilities (University of Rhode Island)	
5.875%, 9/15/2029 (Insured; MBIA)	5,9
SOUTH CAROLINA--2.4%	
South Carolina Medical Facilities, Hospital Facilities Revenue	
6%, 7/1/2019	5,0

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

Tobacco Settlement Revenue Management Authority,	
Tobacco Settlement Revenue 6.375%, 5/15/2028	9,5
TENNESSEE--2.8%	
Memphis Center City Revenue Finance Corp.	
Sports Facility Revenue	
(Memphis Redbirds) 6.50%, 9/1/2028	6,0
Tennessee Housing Development Agency	
(Homeownership Program):	
6%, 1/1/2028	5,9
6.40%, 7/1/2031	5,0
TEXAS--12.0%	
Austin (Convent Station) 6.70%, 1/1/2032	4,2
Brazo River Authority, PCR 5.55%, 6/1/2030	5,0
Gregg County Health Facilities Development Corporation, HR	
(Good Shepherd Medical Center) 6.375%, 10/1/2025	2,5
Harris County Health Facilities Development Corporation, HR	
(Memorial Hermann Healthcare) 6.375%, 6/1/2029	7,0
Houston Airport System, Special Facilities Revenue,	
Airport Improvement (Continental Airlines)	
6.125%, 7/15/2017	2,8
LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)	Pr
-----	Amo
TEXAS (CONTINUED)	
Katy Independent School District	
6.125%, 2/15/2032	11,3
Sabine River Authority, PCR	
(TXU Electric) 6.45%, 6/1/2021	3,0
Springhill Courtland Heights Public Facility Corp. MFHR:	
5.85%, 12/1/2028	6,0
(Veterans ) 6.00%, 12/1/2030	3,9

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

(Veterans Housing Assistance Program)

6.10%, 6/1/2031

8,5

Texas Department of Housing and Community Affairs,

Collateralized Home Mortgage Revenue

9.729%, 7/2/2024

6,8

Texas Public Property Finance Corp., Revenue

(Mental Health and Retardation):

8.625%, 9/1/2001

3

8.875%, 9/1/2011 (Prerefunded 9/1/2001)

5,1

Tyler Health Facilities Development Corp., HR

(East Texas Medical Center Regional

Health Care System)

6.75%, 11/1/2025

5,8

UTAH--1.6%

Carbon County, SWDR (Sunnyside Cogeneration):

7.10%, 8/15/2023

4,9

Zero Coupon 8/15/2024

1,5

Tooele County, Hazardous Waste Treatment Revenue

(Union Pacific) 5.70%, 11/1/2026

5,0

VIRGINIA--5.6%

Fairfax County Water Authority, Revenue

8.045%, 4/1/2029

4,0

Henrico County Industrial Development Authority,

Revenue (Bon Secours Health Care System)

7.924%, 8/23/2027

7,5

Virginia Housing Development Authority:

MFHR 7.05%, 5/1/2018

12,0

Rental Housing 6.20%, 8/1/2024

8,5

WASHINGTON--1.7%

Washington Higher Education Facilities

Authority, Revenue (Whitman College)

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

5.875%, 10/1/2029

10,0

STATEMENT OF INVESTMENTS (Unaudited) (CONTINUED)

LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)

Pr  
Amo

-----  
WISCONSIN--5.6%

Wisconsin Housing and Economic Development Authority

Homeownership Revenue:

9.127%, 7/1/2025

10,6

6.25%, 9/1/2027

13,3

Wisconsin Health and Educational Facilities

Authority, Revenue

(Aurora Health Care, Inc.) 5.60%, 2/15/2029

10,8

WYOMING--2.4%

Sweetwater County, SWDR (FMC Corp.):

7%, 6/1/2024

2,2

6.90%, 9/1/2024

2,0

Wyoming Student Loan Corporation, Student Loan Revenue:

6.20%, 6/1/2024

5,0

6.25%, 6/1/2029

5,0

TOTAL LONG-TERM MUNICIPAL INVESTMENTS

(cost \$599,709,689)

-----  
SHORT-TERM MUNICIPAL INVESTMENTS--.2%

MISSISSIPPI--.1%

Harrison County, PCR, VRDN

(Du Pont de Memours) 3%

8

VIRGINIA--.1%

Roanoke Industrial Development, HR, VRDN

(Carilion Health Systems) 3%

7

TOTAL SHORT-TERM MUNICIPAL INVESTMENTS

# Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

(cost \$1,500,000)

---

TOTAL INVESTMENTS (cost \$601,209,689)

CASH AND RECEIVABLES (NET)

NET ASSETS

## Summary of Abbreviations

AMBAC	American Municipal Bond Assurance Corporation
COP	Certificate of Participation
EDR	Economic Development Revenue
FNMA	Federal National Mortgage Association
FSA	Financial Security Assurance
GNMA	Government National Mortgage Association
HR	Hospital Revenue
IDR	Industrial Development Revenue
MBIA	Municipal Bond Investors Assurance Insurance Corporation
MFHR	Multi-Family Housing Revenue
PCR	Pollution Control Revenue
RRR	Resources Recovery Revenue
SFMR	Single Family Mortgage Revenue
SWDR	Solid Waste Disposal Revenue
VRDN	Variable Rate Demand Notes

## Summary of Combined Ratings (Unaudited)

Fitch	or	Moody's	or	Standard & Poor's
AAA		Aaa		AAA
AA		Aa		AA
A		A		A
BBB		Baa		BBB
BB		Ba		BB
B		B		B

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

F-1+, F-1	VMIG1, MIG1, P1	SP1, A1
Not Rated (g)	Not Rated (g)	Not Rated (g)

- (A) NON-INCOME PRODUCING SECURITY, INTEREST PAYMENTS IN DEFAULT.
- (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. AT MAY 31, 2001, THESE SECURITIES AMOUNTED TO \$35,316,852 OR 5.8% OF NET ASSETS.
- (D) 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.
- (E) NON-INCOME PRODUCING SECURITY.
- (F) SECURITIES PAYABLE ON DEMAND. VARIABLE INTEREST RATE SUBJECT TO PERIODIC CHANGE.
- (G) SECURITIES WHICH, WHILE NOT RATED BY FITCH, MOODY'S AND STANDARD & POOR'S, HAVE BEEN DETERMINED BY THE INVESTMENT ADVISER TO BE OF COMPARABLE QUALITY TO THOSE RATED SECURITIES IN WHICH THE FUND MAY INVEST.

SEE NOTES TO FINANCIAL STATEMENTS.

The Fund

STATEMENT OF ASSETS AND LIABILITIES

May 31, 2001 (Unaudited)

	Cost	Value
-----		
ASSETS (\$):		
Investments in securities--See Statement of Investments	601,209,689	600,914,481
Cash		407,184
Interest receivable		10,915,101
Receivable for investment securities sold		3,392,074
Prepaid expenses		32,181
		615,661,021
-----		
LIABILITIES (\$):		
Due to The Dreyfus Corporation and affiliates		387,533

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

Payable for investment securities purchased	4,222,418
Dividends payable to preferred shareholders	39,576
Commissions payable	30,539
Accrued expenses	268,905
	4,948,971

-----  
NET ASSETS (\$) 610,712,050  
-----

COMPOSITION OF NET ASSETS (\$):

Auction Preferred Stock, Series A, B and C, par value \$.001 per share (7,440 shares issued and outstanding at \$25,000 per share liquidation preference)--Note 1	186,000,000
Common Stock, par value, \$.001 per share (47,913,561 shares issued and outstanding)	47,914
Paid-in capital	446,759,134
Accumulated undistributed investment income--net	1,216,310
Accumulated net realized gain (loss) on investments	(23,016,100)
Accumulated net unrealized appreciation (depreciation) on investments--Note 4	(295,208)
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	424,712,050

-----  
NET ASSETS (\$) 610,712,050  
-----

COMMON SHARES OUTSTANDING

(110 million shares of \$.001 par value Common Stock authorized) 47,913,561

NET ASSET VALUE PER COMMON STOCK,  
offering and redemption price per share (\$) 8.86

SEE NOTES TO FINANCIAL STATEMENTS.

STATEMENT OF OPERATIONS

Six Months Ended May 31, 2001 (Unaudited)

-----  
INVESTMENT INCOME (\$):

INTEREST INCOME 19,979,969

EXPENSES:

Management fee--Note 3(a) 1,513,269



Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

Administration fee-Note 3(a)	756,634
Commission fees--Note 1	244,898
Professional fees	87,231
Shareholders' reports	34,999
Directors' fees and expenses--Note 3(b)	27,007
Registration fees	24,488
Shareholder servicing costs	22,904
Interest expense--Note 2	1,724
Custodian fees	716
Miscellaneous	17,040
TOTAL EXPENSES	2,730,910
INVESTMENT INCOME--NET	17,249,059

-----  
 REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS--NOTE 4 (\$):

Net realized gain (loss) on investments	302,082
Net unrealized appreciation (depreciation) on investments	11,752,792
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	12,054,874
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	29,303,933

SEE NOTES TO FINANCIAL STATEMENTS.

The Fund

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended May 31, 2001 (Unaudited)	Year Ended November 30, 2000
-----		
OPERATIONS (\$):		
Investment income--net	17,249,059	33,291,425
Net realized gain (loss) on investments	302,082	(4,672,749)
Net unrealized appreciation (depreciation) on investments	11,752,792	8,042,876
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	29,303,933	36,661,552

-----  
 DIVIDENDS TO SHAREHOLDERS FROM (\$):

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

Investment income--net:

Common Stock	(13,399,369)	(26,778,113)
Preferred Stock	(3,416,961)	(7,597,500)
TOTAL DIVIDENDS	(16,816,330)	(34,375,613)

CAPITAL STOCK TRANSACTIONS (\$):

Dividends reinvested--Note 1(c)	1,143,388	--
Offering costs charged to paid-in capital resulting from issuance of Preferred Stock	--	(163,370)
INCREASE (DECREASE) IN NET ASSETS FROM CAPITAL STOCK TRANSACTIONS	1,143,388	(163,370)
TOTAL INCREASE (DECREASE) IN NET ASSETS	13,630,991	2,122,569

NET ASSETS (\$):

Beginning of Period	597,081,059	594,958,490
END OF PERIOD	610,712,050	597,081,059
Undistributed investment income--net	1,216,310	783,581

CAPITAL SHARE TRANSACTIONS (COMMON SHARES):

INCREASE IN COMMON SHARES OUTSTANDING AS A RESULT OF DIVIDENDS REINVESTED	129,636	--
---	---------	----

SEE NOTES TO FINANCIAL STATEMENTS.

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 market price data for the fund's shares.

	Six Months Ended May 31, 2001 (Unaudited)	2000	1999	Year 1998
--	---	------	------	--------------

PER SHARE DATA (\$):

Net asset value, beginning of period	8.60	8.56	9.52	9.52
--------------------------------------	------	------	------	------

Investment Operations:

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

Investment income--net	.36	.70	.58	
Net realized and unrealized gain (loss) on investments	.25	.06	(.90)	
Total from Investment Operations	.61	.76	(.32)	
Distributions:				
Dividends from investment income--net:				
Common Stock	(.28)	(.56)	(.58)	
Preferred Stock	(.07)	(.16)	(.02)	
Total Distributions	(.35)	(.72)	(.60)	
Capital Stock transactions-net effect of Preferred Stock offering	--	(.00) (a)	(.04)	
Net asset value, end of period	8.86	8.60	8.56	
Market value, end of period	8.85	81_8	711_16	10
-----				
TOTAL RETURN (%) (B)	24.89 (c, d, e)	13.30	(19.36)	

FINANCIAL HIGHLIGHTS (CONTINUED)

	Six Months Ended May 31, 2001			Year
	(Unaudited)	2000	1999	1
-----				
RATIOS/SUPPLEMENTAL DATA (%):				
Ratio of expenses to average net assets applicable to Common Stock	1.30 (c, d, e)	1.34 (d, e)	.91 (d, e)	
Ratio of net investment income to average net assets applicable to Common Stock	8.22 (c, d, e)	8.25 (d, e)	6.64 (d, e)	
Portfolio Turnover Rate	8.34 (f)	27.58	32.58	
Asset coverage of Preferred Stock, end of period	328	321	320	
-----				
Net Assets, net of Preferred Stock, end of period (\$ x 1,000)	424,712	411,081	408,958	453
Preferred Stock outstanding, end of period (\$ x 1,000) ( g)	186,000	186,000	186,000	

(A) AMOUNT REPRESENTS LESS THAN \$.01 PER SHARE.

## Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

- (B) CALCULATED BASED ON MARKET VALUE.
- (C) ANNUALIZED.
- (D) DOES NOT REFLECT THE EFFECT OF DIVIDENDS TO PREFERRED STOCK SHAREHOLDERS.
- (E) THE RATIO OF EXPENSES TO TOTAL AVERAGE NET ASSETS AND THE RATIO OF NET INVESTMENT INCOME TO TOTAL AVERAGE NET ASSETS WERE .90% AND 5.70%, RESPECTIVELY, FOR THE SIX MONTHS ENDED MAY 31, 2001, .92% AND 5.64%, RESPECTIVELY, FOR THE YEAR ENDED NOVEMBER 30, 2000 AND .84% AND 6.13%, RESPECTIVELY, FOR THE YEAR ENDED NOVEMBER 30, 1999.
- (F) NOT ANNUALIZED.
- (G) PREFERRED SHARES WERE ISSUED ON SEPTEMBER 22, 1999.

SEE NOTES TO FINANCIAL STATEMENTS.

### NOTES TO FINANCIAL STATEMENTS (Unaudited)

#### NOTE 1--Significant Accounting Policies:

Dreyfus Strategic Municipal Bond Fund, Inc. (the "fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a diversified closed-end management investment company. The fund's investment objective is to maximize current income exempt from Federal income tax to the extent believed by the fund's investment adviser to be consistent with the preservation of capital. The Dreyfus Corporation ("Dreyfus") serves as the fund's investment adviser and administrator. Dreyfus is a direct subsidiary of Mellon Bank, N.A., which is a wholly-owned subsidiary of Mellon Financial Corporation ("Mellon"). Boston Safe Deposit and Trust Company (the "Custodian") acts as the fund's custodian. The Custodian is a wholly-owned subsidiary of Mellon. PFPC Global Fund Services ("PFPC"), a subsidiary of PNC Bank ("PNC"), serves as the fund's transfer agent, dividend-paying agent, registrar and plan agent.

The fund has outstanding 2,480 shares of Series A, Series B and Series C for a total of 7.440 shares of 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. Bankers Trust, 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 .25% of the purchase price of the shares of APS placed by the broker-dealer in an auction.

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 common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of APS at liquidation value.

The holders of the APS, voting as a separate class, have the right to elect at least two directors. The holders of the APS vote as a separate class on certain other matters, as required by law. The fund has designated Robin A. Pringle and John E. Zuccotti to represent holders of APS on the fund's Board of Directors.

The Fund

### NOTES TO FINANCIAL STATEMENTS (Unaudited) (CONTINUED)

The fund's financial statements are prepared in accordance with accounting

## Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

principles generally accepted in the United States, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

(a) Portfolio valuation: Investments in municipal debt securities (excluding options and financial futures on municipal and U.S. Treasury securities) are valued on the last business day of each week and month by an independent pricing service ("Service") approved by the Board of Directors. Investments for which quoted bid prices are readily available and are representative of the bid side of the market in the judgment of the Service are valued at the mean between the quoted bid prices (as obtained by the Service from dealers in such securities) and asked prices (as calculated by the Service based upon its evaluation of the market for such securities). Other investments (which constitute a majority of the portfolio securities) are carried at fair value as determined by the Service, based on methods which include consideration of: yields or prices of municipal securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. Options and financial futures on municipal securities and U.S. Treasury securities are valued at the last sales price on the securities exchange on which such securities are primarily traded or at the last sales price on the national securities market on the last business day of each week and month. Investments not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices. Bid price is used when no asked price is available.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Interest income, adjusted for amortization of premiums and original issue discounts 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.

In November 2000 the American Institute of Certified Public Accountants ("AICPA") issued a revised version of the AICPA Audit and Accounting Guide for Investment Companies (the "Guide"). The revised version of the Guide is effective for financial statements issued for fiscal years beginning after December 15, 2000. One of the new provisions in the Guide requires investment companies to accrete market discounts on municipal securities which the fund does not currently do. Upon adoption, the fund will be required to record a cumulative effect adjustment to conform with accounting principles generally accepted in the United States. The effect of this adjustment will be to increase accumulated net investment income with an offsetting decrease to accumulated unrealized appreciation (depreciation) on securities. This adjustment will therefore, have no effect on the net assets of the fund.

(c) Dividends to shareholders of Common Stock ("Common Shareholder(s)": Dividends are recorded on the ex-dividend date. Dividends from investment income-net are declared and paid monthly. Dividends from net realized capital gain are normally declared and paid at least annually. To the extent that net realized capital gain can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gain.

For Common Shareholders who elect to receive their distributions in additional shares of the fund, in lieu of cash, such distributions will be reinvested at the lower of the market price or net asset value per share (but not less than 95% of the market price) based on the record date's respective prices. If the net asset value per share on the record date is lower than the market price per share, shares will be issued by the fund at the record date's net asset value on the payable date of the distribu

The Fund

## Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

### NOTES TO FINANCIAL STATEMENTS (Unaudited) (CONTINUED)

tion. If the net asset value per share is less than 95% of the market value, shares will be issued by the fund at 95% of the market value. If the market price is lower than the net assets value per share on the record date, PFPC will purchase fund shares in the open market commencing on the payable date and reinvest those shares accordingly. As a result of purchasing fund shares in the open market, fund shares outstanding will not be affected by this form of reinvestment.

On May 31, 2001, the Board of Directors declared a cash dividend to Common Shareholders of \$.0467 per share from investment income-net, payable on June 28, 2001 to Common Shareholders of record as of the close of business on June 14, 2001.

(d) Dividends to Shareholders of APS: For APS, dividends are currently reset every 7 days. The dividend rate in effect at May 31, 2001 were as follows: Series A --2.90% , Series B--3.00% and Series C--2.90%.

(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 Internal Revenue Code of 1986 as amended, and to make distributions of income and net realized capital gain sufficient to relieve it from substantially all Federal income and excise taxes

The fund has an unused capital loss carryover of approximately \$23,318,000 available for Federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to November 30, 2000. If not applied, \$4,499,000 of the carryover expires in fiscal 2002, \$9,312,000 expires in fiscal 2003, \$3,964,000 expires in fiscal 2007 and \$5,543,000 expires in fiscal 2008.

#### NOTE 2--Bank Line of Credit:

The fund participates with other Dreyfus-managed funds in a \$100 million unsecured line of credit primarily to be utilized for temporary or emergency purposes, including the financing of redemptions. Interest is charged to the fund based on prevailing market rates in effect at the time of borrowings

The average daily amount of borrowings outstanding during the period ended May 31, 2000 was approximately \$1,700, with a related weighted average annualized interest rate of 6.29%.

#### NOTE 3--Investment Advisory Fee, Administration Fee and Other Transactions With Affiliates:

(a) The fee payable by the fund, pursuant to the provisions of an Investment Advisory Agreement with Dreyfus, is payable monthly based on an annual rate of .50 of 1% of the value of the fund's average weekly net assets. The fund also has an Administration Agreement with Dreyfus, a Custody Agreement with the Custodian and a Transfer Agency and Registrar Agreement with PFPC. The fund pays in the aggregate for administration, custody and transfer agency services a monthly fee based on an annual rate of .25 of 1% of the value of the fund's average weekly net assets; out-of pocket transfer agency and custody expenses are paid separately by the fund.

(b) Each director who is not an "affiliated person" as defined in the Act receives from the fund an annual fee of \$2,500 and an attendance fee of \$500 per meeting. The Chairman of the Board receives an additional 25% of such compensation and the Director Emeritus receives 50% of such compensation.

## Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

### NOTE 4--Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended May 31, 2001, amounted to \$53,747,736 and \$49,592,122, respectively.

At May 31, 2001, accumulated net unrealized depreciation on investments was \$295,208, consisting of \$23,660,656 gross unrealized appreciation and \$23,955,864 gross unrealized depreciation.

At May 31, 2001, 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).

The Fund

### OFFICERS AND DIRECTORS

Dreyfus Strategic Municipal Bond Fund, Inc.  
200 Park Avenue  
New York, NY 10166

### DIRECTORS

Joseph S. DiMartino

David W. Burke

Hodding Carter, III

Ehud Houminer

Richard C. Leone

Hans C. Mautner

Robin A. Pringle ((+))

John E. Zuccotti ((+))

((+)) AUCTION PREFERRED STOCK DIRECTORS

### OFFICERS

#### President

Stephen E. Canter

#### Vice President and Treasurer

Joseph Connolly

#### Executive Vice President

Paul Disdier

#### Vice President

Mark N. Jacobs

#### Secretary

John B. Hammalian

#### Assistant Secretary

Steven F. Newman

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

Assistant Secretary  
Michael A. Rosenberg

Assistant Treasurer  
Gregory S. Gruber

PORTFOLIO MANAGERS

Joseph P. Darcy

A. Paul Disdier

Douglas J. Gaylor

Joseph A. Irace

Colleen A. Meehan

PORTFOLIO MANAGERS (CONTINUED)

Richard J. Moynihan

W. Michael Petty

Scott Sprauer

Samuel J. Weinstock

Monica S. Wieboldt

INVESTMENT ADVISER AND ADMINISTRATOR

The Dreyfus Corporation

CUSTODIAN

Boston Safe Deposit and Trust Company

COUNSEL

Stroock & Stroock & Lavan LLP

TRANSFER AGENT, DIVIDEND-PAYING AGENT, REGISTRAR AND PLAN AGENT

PFPC Global Fund Services

(Common Stock)

Bankers Trust (Auction Preferred Stock)

AUCTION AGENT

Bankers Trust (Auction Preferred Stock)

STOCK EXCHANGE LISTING

NYSE Symbol: DSM

INITIAL SEC EFFECTIVE DATE

11/22/89



Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

THE NET ASSET VALUE APPEARS IN THE FOLLOWING PUBLICATIONS: BARRON'S, CLOSED-END BOND FUNDS SECTION UNDER THE HEADING "MUNICIPAL BOND FUNDS" EVERY MONDAY; WALL STREET JOURNAL, MUTUAL FUNDS SECTION UNDER THE HEADING "CLOSED-END FUNDS" EVERY MONDAY; NEW YORK TIMES, BUSINESS SECTION UNDER THE HEADING "CLOSED-END BOND FUNDS--MUNICIPAL BOND FUNDS" EVERY MONDAY.

NOTICE IS HEREBY GIVEN IN ACCORDANCE WITH SECTION 23(C) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, 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.

The Fund

For More Information

Dreyfus Strategic Municipal  
Bond Fund, Inc.  
200 Park Avenue  
New York, NY 10166

Manager

The Dreyfus Corporation  
200 Park Avenue  
New York, NY 10166

Custodian

Boston Safe Deposit and Trust Company  
One Boston Place  
Boston, MA 02108

Transfer Agent &  
Dividend-Paying Agent,

Registrar and Plan Agent  
PFPC Global Fund Services  
(Common Stock)  
101 Federal Street  
Boston, MA 02110

(c) 2001 Dreyfus Service Corporation

852SA0501