

DREYFUS STRATEGIC MUNICIPAL BOND FUND INC
Form N-CSR
August 04, 2004

**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 811-5877

DREYFUS STRATEGIC MUNICIPAL BOND FUND, 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: 11/30

Date of reporting period: 5/31/04

FORM N-CSR

Item 1. Reports to Stockholders.

**Dreyfus
Strategic Municipal
Bond Fund, Inc.**

SEMIANNUAL REPORT May 31, 2004

Dreyfus Strategic Municipal Bond Fund, 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
16	Statement of Assets and Liabilities
17	Statement of Operations
18	Statement of Changes in Net Assets

19 Financial Highlights

21 Notes to Financial Statements

FOR MORE INFORMATION

Back Cover

Dreyfus Strategic Municipal Bond Fund, Inc.

The Fund

LETTER FROM THE CHAIRMAN

Dear Shareholder:

This semiannual report for Dreyfus Strategic Municipal Bond Fund, Inc. covers the six-month period from December 1, 2003, through May 31, 2004. 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, James Welch.

Positive economic data continued to accumulate during the reporting period, as consumers, flush with extra cash from their 2003 federal tax refunds and mortgage refinancings, continued to spend. Corporations have become more willing to hire new workers and invest in new projects and equipment. In addition, many states and municipalities have reported an increase in tax revenues, helping to relieve some of the fiscal pressures that arose during the economic downturn. As the economy has gained strength, fixed-income investors apparently have grown more concerned that long-dormant inflationary pressures could resurface, and municipal bond prices recently have become more volatile.

Despite fixed-income investors' current concerns, we believe that history confirms that bonds represent an important component of most investors' long-term investment portfolios. As always, we encourage you to speak regularly with your financial advisor, who may be in the best position to suggest ways to position your portfolio for the opportunities and challenges of today's financial markets.

Thank you for your continued confidence and support.

Sincerely,

Stephen E. Canter
Chairman and Chief Executive Officer
The Dreyfus Corporation
June 15, 2004
2

DISCUSSION OF FUND PERFORMANCE

James Welch, Portfolio Manager

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

For the six-month period ended May 31, 2004, the fund achieved a total return of 0.38%.¹ During the same period, the fund provided aggregate income dividends of \$0.3060 per share, which is equal to a distribution rate of 7.68%.²

Because of heightened market volatility in a recovering U.S. economy, municipal bonds generally ended the reporting period with prices that were lower than where they began. However, the fund increased its dividend distribution rate in February 2004, primarily because of the success of our leveraging strategy, which enabled the fund to lock in low prevailing borrowing rates on its shares of auction-rate preferred securities.

What is the fund's investment approach?

The fund seeks to maximize current income exempt from federal income tax to the extent believed by Dreyfus to be consistent with the preservation of capital. In pursuing this goal, the fund invests at least 80% of its assets in municipal bonds. Under normal market conditions, the weighted average maturity of the fund's portfolio is expected to exceed 10 years. Municipal bonds are classified as general obligation bonds, revenue bonds and notes. Under normal market conditions, the fund invests at least 80% of its net assets in municipal bonds considered investment grade or the unrated equivalent as determined by Dreyfus.

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.

The Fund **3**

DISCUSSION OF FUND PERFORMANCE *(continued)*

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 investments consistent with the fund's investment policies. 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 look to sell bonds that are close to 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?

The fund was influenced by heightened market volatility throughout the reporting period. Gains achieved in advance of the Federal Reserve Board's (the "Fed") late-June 2003 reduction of short-term interest rates to 1%, a 45-year low, were erased during the summer of 2003, when evidence of stronger than expected economic growth sparked one of the worst six-week declines in the tax-exempt bond market's history. Although municipal bond prices gradually recovered in the fall of 2003 as it became clearer that the labor market remained weak, keeping a lid on potential inflationary pressures, the market subsequently remained volatile through the first quarter of 2004. The market declined sharply in April and May 2004, when reports of unexpectedly strong job gains and higher energy prices rekindled investors' inflation fears.

On the other hand, a strengthening economy benefited the fiscal conditions of many states and municipalities that previously had struggled with budget deficits. As a result, state and local governments had less need to borrow, issuing fewer municipal bonds during the first five months of 2004 than during the same period one year earlier. A reduced supply of tax-exempt securities and continued robust investor demand helped support municipal bond prices.

In this changing market environment, we maintained an investment posture that focused new purchases primarily on high-quality securities selling at slight premiums to their face values. High-quality, premium-priced bonds historically have retained more of their value during

market declines, and in our view, can serve as an effective complement to the fund's core holdings of higher-yielding, seasoned bonds. Because of the risk that stronger economic growth might lead to higher interest rates, we gradually and modestly reduced the fund's average duration — a measure of sensitivity to changing interest rates — in an effort to help protect the fund if and when the Fed begins to implement a less accommodative monetary policy.

Finally, the fund benefited during the reporting period from the effects of low interest rates on its leveraging strategy. By locking in prevailing low borrowing rates on one of the fund's series of preferred-rate auction securities and investing the proceeds in relatively higher-yielding municipal bonds, we were able to increase the fund's dividend distribution rate even while interest rates remained near historical lows.

What is the fund's current strategy?

We have maintained the fund's relatively conservative positioning — including a focus on high-quality, premium-priced bonds and a relatively short average duration — in the expectation that the Fed's next move is likely to be an increase in short-term interest rates. In our view, these are prudent strategies after the municipal bond market's strong performance over the past several years.

June 15, 2004

- 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, divided by the market price per share at the end of the period.*

The Fund 5

STATEMENT OF INVESTMENTS

May 31, 2004 (Unaudited)

Long-Term Municipal Investments 141.8%	Principal Amount (\$)	Value (\$)
Alaska 4.5%		
Alaska Housing Finance Corp.:		
6.25%, 6/1/2035	5,905,000	6,195,054
6.05%, 6/1/2039 (Insured; MBIA)	11,915,000	12,288,178
Arizona 2.8%		
Apache County Industrial Development Authority, PCR		
(Tuscon Electric Power Co.) 5.85%, 3/1/2028	2,220,000	2,156,020
Arizona Water Infrastructure Finance Authority, Revenue		
5%, 10/1/2021	3,000,000	3,076,560
Glendale Water and Sewer Revenue		
(Subordinated Lien) 5%, 7/1/2021 (Insured; AMBAC)	2,060,000	2,104,434
Maricopa County Pollution Control Corp., PCR		
(El Paso Electric Co.) 6.25%, 5/1/2037	4,000,000	4,141,240
Arkansas 2.3%		
Arkansas Development Finance Authority, SFMR		
6.25%, 1/1/2032	4,195,000	4,413,308

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

Little Rock School District		
5.25%, 2/1/2030 (Insured; FSA)	5,000,000	5,052,100
California 7.6%		
California		
5.50%, 4/1/2028	5,450,000	5,581,018
California Economic Recovery		
5.25%, 7/1/2014 (Insured; FGIC)	7,435,000	8,190,470
California Department Water Resources,		
Power Supply Revenue 6%, 5/1/2015	12,500,000	13,825,625
California Health Facilities Financing Authority, Revenue		
(Cedars-Sinai Medical Center) 6.25%, 12/1/2034	3,750,000	3,969,900
Colorado 3.6%		
Colorado Health Facilities Authority, Revenue		
(American Housing Foundation 1, Inc.)		
8.50%, 12/1/2031	2,035,000	1,999,347
Denver City and County, Special Facilities Airport Revenue		
(United Air Lines) 6.875%, 10/1/2032	2,700,000	2,048,625
Northwest Parkway Public Highway Authority, Revenue		
(First Tier Subordinated) 7.125%, 6/15/2041	5,500,000	5,789,685
Silver Dollar Metropolitan District 7.05%, 12/1/2030	4,885,000	4,928,281
Connecticut 2.7%		
Connecticut Development Authority, PCR		
(Connecticut Light and Power) 5.95%, 9/1/2028	6,000,000	6,235,140

6

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
---	--------------------------	------------

Connecticut (continued)

Connecticut Resource Recovery Authority		
(American Refunding-Fuel Company)		
6.45%, 11/15/2022	4,985,000	5,114,610

Delaware 1.0%

Delaware Health Facilities Authority, Revenue		
(Beebe Medical Center) 6.80%, 6/1/2024	3,905,000	3,998,330

District of Columbia 1.4%

Metropolitan Washington Airports Authority,		
Special Facilities Revenue		
(Caterair International Corp.) 10.125%, 9/1/2011	5,620,000	5,626,238

Florida 3.2%

Florida Housing Finance Corp., Housing Revenue		
(Seminole Ridge Apartments)		
6%, 4/1/2041 (Collateralized; GNMA)	6,415,000	6,616,623
Orange County Health Facilities Authority, Revenue:		
(Adventist Health System) 6.25%, 11/15/2024	3,000,000	3,159,870
(Orlando Regional Healthcare System) 6%, 10/1/2026	3,500,000	3,613,330

Georgia 7%

Savannah Economic Development Authority,		
Environmental Improvement Revenue		
(International Paper Company) 6.20%, 8/1/2027	2,670,000	2,731,544

Idaho 3%

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

Idaho Housing & Finance Association, SFMR			
6.35%, 1/1/2030 (Collateralized; FNMA)	1,135,000		1,183,158
Illinois 6.0%			
Chicago O'Hare International Airport			
General Airport Revenue (3rd Lien B-2 XLCA):			
5.25%, 1/1/2027 (Insured; MBIA)	2,685,000		2,679,576
6%, 1/1/2029	5,000,000		5,339,700
Illinois Health Facilities Authority, Revenue:			
(Advocate Network Health Care) 6.125%, 11/15/2022	5,000,000		5,403,250
(OSF Healthcare Systems) 6.25%, 11/15/2029	10,900,000		11,348,971
Indiana 1.7%			
Franklin Township School Building Corporation			
6.125%, 1/15/2022 (Prerefunded 7/15/2010)	6,000,000	b	7,008,720
Louisiana 2.4%			
Parish of De Soto, Environmental Improvement			
Revenue (International Paper Co.) 6.55%, 4/1/2019	2,900,000		3,027,339

The Fund 7

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Principal Amount (\$)		Value (\$)
Louisiana (continued)			
West Feliciana Parish, PCR:			
(Entergy Gulf States) 6.60%, 9/1/2028	3,750,000		3,828,900
(Utility-Entergy Gulf States) 7%, 11/1/2015	3,000,000		3,078,990
Maryland 2.7%			
Maryland Economic Development Corp.,			
Student Housing Revenue (University of Maryland) 5.75%, 10/1/2033	2,550,000		2,560,736
Maryland Industrial Development Financing Authority, EDR (Medical Waste Associates Limited Partnership) 8.75%, 11/15/2010	3,710,000		3,296,112
Maryland State and Local Facilities Loan 5%, 8/1/2017	5,000,000		5,280,200
Massachusetts 4.8%			
Massachusetts Bay Transportation Authority, Assessment Revenue 5%, 7/1/2028	5,000,000		4,954,850
Massachusetts Federal Highway 5.75%, 12/15/2010	5,305,000		5,955,393
Massachusetts Health and Educational Facilities Authority, Revenue:			
(Beth Isreal) 10.653%, 7/1/2025 (Insured; AMBAC)	3,250,000	c	3,268,785
(Civic Investments) 9%, 12/15/2015	2,000,000		2,301,340
(Partners Healthcare System) 5.75%, 7/1/2032	3,000,000		3,108,690
Pittsfield, SWDR (Vicon Recovery Associates) 7.95%, 11/1/2004	310,000		310,245
Michigan 2.9%			
Michigan Hospital Finance Authority, HR			

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

(Genesys Health System Obligated Group) 8.125%, 10/1/2021 (Prerefunded 10/1/2005)	5,000,000	b	5,526,350
Michigan Strategic Fund, SWDR (Genesee Power Station) 7.50%, 1/1/2021	7,550,000		6,311,800
Mississippi 0.8%			
Mississippi Business Finance Corporation, PCR (Systems Energy Resources, Inc.) 5.90%, 5/1/2022	3,160,000		3,182,626
Missouri 0.6%			
Saint Louis Industrial Development Authority (Saint Louis Convention) 7.25%, 12/15/2035	2,625,000		2,421,930
Nebraska 0.7%			
Nebraska Investment Finance Authority, SFMR 10.656%, 3/1/2026	2,500,000	c,d	2,867,200

8

Long-Term Municipal Investments (continued)	Principal Amount (\$)		Value (\$)
Nevada 4.7%			
Clark County, IDR (Southwest Gas Corporation) 6.50%, 12/1/2033	5,000,000		5,032,300
Washoe County (Reno-Sparks Convention) 6.40%, 7/1/2029 (Insured; FSA, Prerefunded 1/1/2010)	8,000,000	b	9,245,520
Wasoe County Water Facility Revenue (Sierra Pacific Power Company) 5%, 3/1/2036	5,000,000		4,997,550
New Hampshire 3.6%			
New Hampshire Business Finance Authority, PCR (Public Service Co.): 6%, Series D 5/1/2021 (Insured; MBIA)	2,690,000		2,935,355
6%, Series E 5/1/2021 (Insured; MBIA)	6,000,000		6,547,260
New Hampshire Industrial Development Authority, PCR (Connecticut Light) 5.90%, 11/1/2016	5,400,000		5,544,666
New Jersey 5.8%			
New Jersey Economic Development Authority Special Facilities Revenue (Continental Airlines, Inc.): 6.25%, 9/15/2019	3,620,000		2,846,297
6.25%, 9/15/2029	5,000,000		3,667,100
7.20%, 11/15/2030	7,000,000		5,814,270
New Jersey Educational Facilities Authority, Revenue Higher Education Capital Improvement 5.25%, 9/1/2019 (Insured; AMBAC)	3,000,000		3,154,620
Tobacco Settlement Financing Corporation 7%, 6/1/2041	9,095,000		8,333,930
New York 5.9%			
New York City 5.75%, 8/1/2014	5,000,000		5,458,550
New York City Transitional Finance Authority, Revenue			

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

(Future Tax Secured):		
5.375%, 11/15/2021	5,000,000	5,274,400
5.25%, 2/1/2018 (Insured; MBIA)	5,000,000	5,286,800
New York State Dormitory Authority, Revenue:		
City University Systems		
(Consolidated 4th General) 5.50%, 7/1/2017	3,060,000	3,250,577
Judicial Facility Lease		
(Suffolk County) 9.50%, 4/15/2014	605,000	846,528
(Marymount Manhattan College)		
6.25%, 7/1/2029	4,000,000	4,289,520

The Fund 9

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Principal Amount (\$)		Value (\$)
North Carolina 2.0%			
North Carolina Eastern Municipal Power Agency, Power Systems Revenue 6.70%, 1/1/2019	2,500,000		2,756,150
North Carolina Public Improvement 5.25%, 3/1/2015 (Insured; MBIA)	5,000,000		5,444,150
Ohio 6.4%			
Cuyahoga County, HR (Metrohealth Systems) 6.15%, 2/15/2029	10,000,000		10,304,100
Cuyahoga County Hospital Facilities, Revenue (UHHS/CSAHS Cuyahoga Inc. & CSAHS/UHHS Canton Inc.) 7.50%, 1/1/2030	3,500,000		3,828,965
Mahoning County Hospital Facilities, Revenue (Forum Health Obligation Group) 6%, 11/15/2032	4,000,000		4,132,520
Ohio Air Quality Development Authority, PCR (Cleveland Electric Illuminating Co.) 6.10%, 8/1/2020	2,400,000		2,486,136
Ohio Housing Finance Agency, Mortgage Revenue 10.790%, 3/1/2029 (Collateralized; GNMA)	1,720,000	c,d	1,848,501
Ohio Water Development Authority, PCR (Cleveland Electric) 6.10%, 8/1/2020	4,000,000		4,143,560
Oklahoma 3.5%			
Oklahoma Development Finance Authority, Revenue (St. John Health System) 6%, 2/15/2029	9,000,000		9,535,680
Oklahoma Industries Authority, Health System Revenue (Obligation Group) 5.75%, 8/15/2029 (Insured; MBIA)	5,000,000		5,272,250
Oregon 1.4%			
Umatilla County Hospital Facility Authority, Revenue (Catholic Health Initiatives) 5.50%, 3/1/2022	2,500,000		2,575,300
Western Generation Agency Cogeneration Project Revenue (Wauna Cogeneration) 7.40%, 1/1/2016	3,250,000		3,310,515

Pennsylvania 1.4%

Allegheny County Port Authority, Special

Transportation Revenue 6.125%, 3/1/2029

(Insured; MBIA, Prerefunded 3/1/2009)

4,750,000

b

5,417,803

10

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
--	--------------------------	------------

Pennsylvania (continued)

Pennsylvania Housing Finance Agency,

Multi-Family Development Revenue

8.25%, 12/15/2019

269,000

269,546

Rhode Island 1.6%

Rhode Island Health & Educational Building

Corporation Higher Educational Facilities

(University of Rhode Island)

5.875%, 9/15/2029 (Insured; MBIA)

5,910,000

6,403,130

South Carolina 8.0%

Berkeley County School District Installment

Purchase Revenue (Securing Assets

For Education) 5%, 12/1/2028

3,510,000

3,350,681

Greenville County School District Installment

Purchase Revenue (Building Equity

Sooner Tomorrow) 5.50%, 12/1/2028

10,000,000

10,100,100

Greenville Hospital System, Hospital Facilities Revenue

5.50%, 5/1/2026 (Insured; AMBAC)

7,000,000

7,224,070

Richland County, Environmental Improvement Revenue

(International Paper Company) 6.10%, 4/1/2023

6,500,000

6,619,665

South Carolina Medical Facilities, Hospital Facilities

Revenue 6%, 7/1/2019 (Prerefunded 7/1/2009)

5,000,000

b

5,676,400

Tennessee 4.1%

Johnson City Health and Educational Facilities Board, HR

(1st Mortgage-Mountain State Health):

7.50%, 7/1/2025

2,000,000

2,248,480

7.50%, 7/1/2033

3,000,000

3,352,020

Memphis Center City Revenue Finance Corp.

Sports Facility Revenue

(Memphis Redbirds) 6.50%, 9/1/2028

6,000,000

6,005,760

Tennessee Housing Development Agency

(Homeownership Program):

6%, 1/1/2028

3,015,000

3,109,550

6.40%, 7/1/2031

1,925,000

2,036,708

Texas 22.6%

Austin Airport System Revenue

5.25%, 11/15/2017 (Insured; MBIA)

2,500,000

2,636,275

The Fund **11**

STATEMENT OF INVESTMENTS (Unaudited) (continued)

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

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
Texas (continued)		
Dallas Fort Worth International Airport, Revenue:		
5.50%, 11/1/2021 (Insured; FSA) Facility Improvement Corp.	7,000,000	7,300,300
(2001-A-1 Bombardier Inc.) 6.15%, 1/1/2016	3,000,000	2,993,880
Gregg County Health Facilities Development Corp., HR (Good Shepherd Medical Center)		
6.375%, 10/1/2025	2,500,000	2,752,125
Harris County Health Facilities Development Corp., HR (Memorial Hermann Healthcare) 6.375%, 6/1/2029	7,000,000	7,608,370
Katy Independent School District		
6.125%, 2/15/2032	11,360,000	12,381,832
Sabine River Authority, PCR (TXU Electric):		
6.45%, 6/1/2021	2,900,000	2,972,094
5.50%, 5/1/2022	5,490,000	5,804,687
Springhill Courtland Heights Public Facility Corp., MFHR		
5.85%, 12/1/2028	6,030,000	6,095,968
Texas:		
(Veterans) 6%, 12/1/2030	3,935,000	4,129,940
(Veterans Housing Assistance Program) 6.10%, 6/1/2031	8,510,000	8,913,374
Texas Department of Housing and Community Affairs:		
Home Mortgage Revenue		
12.198%, 7/2/2024	2,950,000	3,110,539
Residential Mortgage Revenue		
5.35%, 7/1/2033	5,735,000	5,745,151
Tomball Hospital Authority, Revenue:		
6.125%, 7/1/2023	3,680,000	3,681,288
(Tomball Regional Hospital) 6%, 7/1/2025	4,650,000	4,549,095
Tyler Health Facilities Development Corp., HR (East Texas Medical Center Regional Health Care System) 6.75%, 11/1/2025	5,850,000	5,797,292
Texas Turnpike Authority, Central Texas Turnpike System Revenue		
5.25%, 5/15/2042 (Insured; AMBAC)	6,875,000	6,907,656

12

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
Utah 1.0%		
Carbon County, SWDR (Sunnyside Cogeneration)		
7.10%, 8/15/2023	4,327,000	3,933,200
Virginia 5.1%		
Henrico County Economic Development Authority, Revenue (Bon Secours Health System)		
5.60%, 11/15/2030 (Insured; FSA)	3,140,000	3,153,565

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

Henrico County Industrial Development Authority,			
Revenue (Bon Secours Health System)			
10.489%, 8/23/2027	7,500,000	c	9,169,275
Virginia Housing Development Authority			
Rental Housing 6.20%, 8/1/2024	8,520,000		8,931,346
Washington 3.5%			
Energy Northwest, Revenue			
(Wind Project) 6%, 7/1/2023	3,670,000		3,800,432
Washington Higher Education Facilities Authority,			
Revenue (Whitman College) 5.875%, 10/1/2029	10,000,000		10,469,400
Wisconsin 4.9%			
Badger Tobacco Asset Securitization Corp.,			
Tobacco Settlement Revenue:			
7%, 6/1/2028	13,500,000		12,632,895
6.375%, 6/1/2032	2,150,000		1,827,823
Wisconsin Health and Educational Facilities			
Authority, Revenue (Aurora Health Care)			
6.40%, 4/15/2033	5,500,000		5,674,845
Wyoming 3.6%			
Sweetwater County, SWDR (FMC Corp.):			
7%, 6/1/2024	2,140,000		2,148,517
6.90%, 9/1/2024	2,465,000		2,485,583
Wyoming Student Loan Corp.,			
Student Loan Revenue:			
6.20%, 6/1/2024	5,000,000		5,300,750
6.25%, 6/1/2029	5,000,000		5,269,050
Total Long-Term Investments			
(cost \$576,732,142)			585,253,919

The Fund **13**

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Short-Term Municipal Investments 3.5%	Principal Amount (\$)		Value (\$)
Alaska 1.3%			
Valez, Marine Terminal Revenue, VRDN (Exxon Pipeline Co. Project):			
1.01%, Series A	3,700,000	e	3,700,000
1.01%, Series B	1,000,000	e	1,000,000
1.01%, Series C	700,000	e	700,000
Louisiana 2.2%			
East Baton Rouge Parish, PCR, VRDN (Exxon Project) 1.05%			
	9,200,000	e	9,200,000
Rhode Island 0.0%			
Rhode Island Industrial Facilities Corp., Marine Terminal Revenue, VRDN (ExxonMobil Project) 1.01%			
	100,000	e	100,000
Total Short-Term Investments			
(cost \$ 14,700,000)			14,700,000

Total Investments (cost \$	591,432,142)	145.3%	599,953,919
Liabilities, Less Cash and Receivables		(.3%)	(1,120,688)
Preferred Stock, at redemption value		(45.0%)	(186,000,000)
Net Assets		100.0%	412,833,231

Summary of Abbreviations

AMBAC	American Municipal Bond Assurance Corporation	HR	Hospital Revenue
EDR	Economic Development Revenue	IDR	Industrial Development Revenue
FGIC	Financial Guaranty Insurance Company	MBIA	Municipal Bond Investors Assurance Insurance Corporation
FNMA	Federal National Mortgage Association	MFHR	Multi-Family Housing Revenue
FSA	Financial Security Assurance	PCR	Pollution Control Revenue
GNMA	Government National Mortgage Association	SFMR	Single Family Mortgage Revenue
		SWDR	Solid Waste Disposal Revenue
		VRDN	Variable Rate Demand Notes
		XLCA	XL Capital Assurance

Summary of Combined Ratings (Unaudited)

Fitch	or	Moody[s	or	Standard & Poor[s	Value (%)
AAA	Aaa		AAA		30.8
AA	Aa		AA		17.9
A	A		A		18.2
BBB	Baa		BBB		16.5
BB	Ba		BB		5.3
B	B		B		2.1
F	MIG1/P1		SP1/A1		2.5
Not Rated ^f	Not Rated ^f		Not Rated ^f		6.7
					100.0

a Non-income producing security, interest payments in default.

b 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.

c Inverse floater security[the interest rate is subject to change periodically.

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 May 31, 2004 these securities amounted to \$4,715,701 or 1.1% of net assets applicable to common shareholders.

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

f Securities which, while not rated by Fitch, Moody[s and Standard & Poor[s, have been determined by the Investment Advisor to be of comparable quality to those rated securities in which the fund may invest.

See notes to financial statements.

The Fund **15**

STATEMENT OF ASSETS AND LIABILITIES

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

May 31, 2004 (Unaudited)

	Cost	Value
Assets (\$):		
Investments in securities—See Statement of Investments	591,432,142	599,953,919
Cash		38,157
Interest receivable		10,205,002
Receivable for investment securities sold		6,715,812
Prepaid expenses		200,833