

DREYFUS STRATEGIC MUNICIPAL BOND FUND INC

Form N-CSR

January 27, 2006

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: 11/30/05

FORM N-CSR

Item 1. Reports to Stockholders.

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

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

The Fund

LETTER FROM THE CHAIRMAN

Dear Shareholder:

We are pleased to present this annual report for Dreyfus Strategic Municipal Bond Fund, Inc., covering the 12-month period from December 1, 2004, through November 30, 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, James Welch.

The U.S. economy demonstrated remarkable resiliency over the past year, expanding at a steady pace despite the headwinds of soaring energy prices, higher interest rates and the dislocations caused by the Gulf Coast hurricanes. Although yields of longer-term municipal bonds recently have begun to creep upward, low inflation expectations among U.S. investors, improving fiscal conditions and robust investor demand have helped them withstand the potentially eroding effects of rising short-term interest rates.

As the end of 2005 approaches, the U.S. economy and financial markets may be reaching an inflection point. Investors' reactions to a change in leadership at the Federal Reserve Board and the effects of higher fuel prices on the rate of inflation may set the tone for the U.S. fixed-income markets in 2006. As always, we encourage you to discuss these and other market forces with your financial advisor.

Thank you for your continued confidence and support.

The Dreyfus Corporation
December 15, 2005

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DISCUSSION OF FUND PERFORMANCE

James Welch, Portfolio Manager

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

For the 12-month period ended November 30, 2005, the fund achieved a total return of 8.06%.¹ Over the same period, the fund provided aggregate income dividends of \$0.588 per share, which reflects a distribution rate of 7.21%.²

We attribute the fund's performance to the resiliency of longer-term bond prices in a rising interest-rate environment, which we attribute to persistently low inflation expectations and robust investor demand. While the fund also benefited from relatively strong income from its seasoned, core holdings, the fund's board declared a reduced dividend in August 2005 due to the higher cost of funding its preferred shares and lower levels of investment income from newly purchased 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.

The fund also issues auction rate preferred stock and invests the proceeds in a manner consistent with its investment objective. This has the effect of "leveraging" the portfolio, which can increase the fund's performance potential as well as, depending on market conditions, enhance net asset value volatility.

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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 the fund's 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 during the reporting period by higher short-term interest rates and low inflation in a moderately growing U.S. economy. As part of its ongoing credit tightening campaign, the Federal Reserve Board (the "Fed") increased the overnight federal funds rate eight times during the reporting period, driving it from 2% to 4%. Contrary to historical norms, however, yields of longer-term bonds did not rise along with interest rates for most of the reporting period, partly due to persistently low inflation expectations among investors. As a result, prices of longer-term municipal bonds held up remarkably well as yield differences between shorter- and longer-term securities narrowed.

In addition, municipal bonds benefited from robust investor demand, including purchases by hedge funds, insurance companies and other "non-traditional" investors attracted by the market's generous after-tax returns. While the supply of newly issued bonds rose to record levels during the reporting period, the additional issuance volume was easily absorbed by income-oriented investors, lending further support to tax-exempt bond prices.

The fund continued to receive attractive levels of current income from its core holdings of seasoned municipal bonds, most of which were purchased during a market environment offering higher yields than are available today. In addition, the fund's return was supported by its relatively light holdings of shorter-term securities; instead, we focused

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on bonds toward the long end of the market's maturity range. The fund also benefited when a number of its premium-priced holdings were "pre-refunded" by issuers seeking to reduce their borrowing costs. Finally, favorable timing in the tactical trading of lower-rated tax-exempt securities, including bonds backed by health care facilities and the states' settlement with tobacco companies, made relatively strong contributions to the fund's performance.

However, as expected, some of the fund's higher-yielding core holdings were redeemed early by their issuers, and we were unable to reinvest in bonds with comparable income characteristics. In addition, the fund's leverage strategy has been affected by rising short-term interest rates, which resulted in higher borrowing costs. To adjust for these changes, the fund's Board of Directors reduced the fund's dividend in August 2005.

What is the fund's current strategy?

Despite stronger-than-expected economic data, inflation has remained subdued, and the Fed appears to be closer to the end of its credit tightening campaign. This suggests that most of the Fed's rate hikes probably are behind us. Accordingly, we recently have adopted a slightly more assertive investment posture, including a focus on income-oriented, premium-priced securities with maturities in the 15- to 25-year range.

December 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. 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. Return figure provided reflects the absorption of certain expenses by The Dreyfus Corporation pursuant to an undertaking in effect through October 31, 2006. Had these expenses not been absorbed, the fund's return would have been lower.
- 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, adjusted for any capital gain distributions.

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Market Price per share November 30, 2005	\$8.16
Shares Outstanding November 30, 2005	48,254,703
New York Stock Exchange Ticker Symbol	DSM

MARKET PRICE (NEW YORK STOCK EXCHANGE)

Fiscal Year Ended November 30, 2005

	Quarter Ended February 28, 2005	Quarter Ended May 31, 2005	Quarter Ended August 31, 2005	Quarter Ended November 30, 2005
High	\$8.76	\$8.77	\$9.53	\$8.78
Low	8.25	8.27	8.65	8.05
Close	8.59	8.77	8.67	8.16

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

November 22, 1989 (commencement of operations) through November 30, 2005	145.49%
December 1, 1995 through November 30, 2005	72.53
December 1, 2000 through November 30, 2005	40.67
December 1, 2004 through November 30, 2005	3.78
March 1, 2005 through November 30, 2005	(0.19)
June 1, 2005 through November 30, 2005	(3.94)
September 1, 2005 through November 30, 2005	(4.44)

NET ASSET VALUE PER SHARE

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November 22, 1989 (commencement of operations)	\$9.32
November 30, 2004	8.79
February 28, 2005	8.96
May 31, 2005	9.05
August 31, 2005	9.13
November 30, 2005	8.88

PERCENTAGE	GAIN	based on change in Net Asset Value*
November 22, 1989 (commencement of operations)		
through November 30, 2005		186.66%
December 1, 1995 through November 30, 2005		80.92
December 1, 2000 through November 30, 2005		44.63
December 1, 2004 through November 30, 2005		8.06
March 1, 2005 through November 30, 2005		4.14
June 1, 2005 through November 30, 2005		1.30
September 1, 2005 through November 30, 2005		(1.25)

* With dividends reinvested.

SELECTED INFORMATION

November 30, 2005 (Unaudited)

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STATEMENT OF INVESTMENTS

November 30, 2005

Long-Term Municipal Investments 139.8%	Principal Amount (\$)	Value (\$)
Alabama 1.0%		
Jefferson County, Limited Obligation School Warrants 5.50%, 1/1/2022	4,000,000	4,296,520
Alaska 4.3%		
Alaska Housing Finance Corp.: 6.25%, 6/1/2035	5,640,000	5,930,403
6.05%, 6/1/2039 (Insured; MBIA)	11,915,000	12,301,999
Arizona .5%		
Apache County Industrial Development Authority, PCR (Tucson Electric Power Co.) 5.85%, 3/1/2028	2,220,000	2,220,510
Arkansas 2.0%		
Arkansas Development Finance Authority, SFMR 6.25%, 1/1/2032	3,110,000	3,142,312
Little Rock School District 5.25%, 2/1/2030 (Insured; FSA)	5,000,000	5,245,000
California 8.8%		
California 5.50%, 4/1/2028	5,450,000	5,858,313

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California Department of Veteran Affairs, Home Purchase Revenue 5.20%, 12/1/2028	5,000,000	5,002,150
California Department of Water Resources, Power Supply Revenue 6%, 5/1/2012	10,000,000 ^a	11,374,900
California Health Facilities Financing Authority, Revenue (Cedars-Sinai Medical Center):		
6.25%, 12/1/2009	3,750,000 ^a	4,180,312
5%, 11/15/2018	3,925,000	4,102,841
Chula Vista, IDR (San Diego Gas Project) 5%, 12/1/2027	3,000,000	3,028,320
Golden State Tobacco Securitization Corp., Enhanced Tobacco Settlement Asset-Backed 5%, 6/1/2021	3,970,000	3,988,500
Colorado 4.7%		
Colorado Health Facilities Authority, Revenue (American Housing Foundation 1, Inc. 8.50%, 12/1/2031	2,015,000	2,037,528
Colorado Housing and Financing Authority (Single Family Program Senior and Subordinate) 6.60%, 8/1/2032	2,615,000	2,693,528
Denver City and County, Special Facilities Airport Revenue (United Air Lines) 6.875%, 10/1/2032	2,885,000 ^b	2,695,744

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STATEMENT OF INVESTMENTS (continued)

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
Colorado (continued)		
Northwest Parkway Public Highway Authority, Revenue (First Tier Subordinated) 7.125%, 6/15/2041	7,000,000	7,556,710
Silver Dollar Metropolitan District 7.05%, 12/1/2006	4,825,000 ^a	4,997,928
Connecticut 4.9%		
Connecticut Development Authority, PCR (Connecticut Light and Power) 5.95%, 9/1/2028	9,000,000	9,545,940
Connecticut Health and Educational Facilities Authority, Revenue (Yale University) 5%, 7/1/2042	5,000,000	5,144,400
Connecticut Resource Recovery Authority (American Refunding-Fuel Company) 6.45%, 11/15/2022	4,985,000	5,043,673
Mohegan Tribe Indians Gaming Authority, Public Improvement-Priority Distribution		

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6.25%, 1/1/2031	1,000,000	1,071,150
District of Columbia 1.1%		
Metropolitan Washington Airports Authority, Special Facilities Revenue (Caterair International Corp.) 10.125%, 9/1/2011		
	4,500,000	4,505,940
Florida 4.0%		
Florida Housing Finance Corp., Housing Revenue (Seminole Ridge Apartments) 6%, 4/1/2041 (Collateralized; GNMA)		
	6,415,000	6,666,660
Miami-Dade County Expressway Authority, Toll System Revenue 5.125%, 7/1/2029 (Insured; FGIC)		
	3,250,000	3,369,243
Orange County Health Facilities Authority, Revenue: (Adventist Health System) 6.25%, 11/15/2024		
	3,000,000	3,315,330
(Orlando Regional Healthcare System) 6%, 10/1/2026		
	3,500,000	3,676,365
Georgia 2.0%		
Atlanta, Airport Revenue 5.25%, 1/1/2025 (Insured; FSA)		
	3,000,000	3,140,160
Augusta, Airport Revenue 5.45%, 1/1/2031		
	2,500,000	2,530,225
Savannah Economic Development Authority, EIR (International Paper Co.) 6.20%, 8/1/2027		
	2,670,000	2,812,712

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Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
Idaho 1.1%		
Idaho Housing and Finance Association, SFMR 6.35%, 1/1/2030 (Collateralized; FNMA)		
	585,000	611,483
Illinois 10.1%		
Chicago, SFMR 6.25%, 10/1/2032 (Collateralized: FHLMC, FNMA and GNMA)		
	2,590,000	2,677,231
Chicago O'Hare International Airport: General Airport Revenue (3rd Lien B-2) 6%, 1/1/2029 (Insured; XLCA)		
	5,000,000	5,548,150
Special Facility Revenue (American Airlines Inc.) 8.20%, 12/1/2024		
	8,200,000	7,132,032
Illinois Educational Facilities Authority, Revenue: (Northwestern University) 5%, 12/1/2038		
	5,000,000	5,087,400
(University of Chicago) 5.125%, 7/1/2038 (Insured; MBIA)		
	5,000,000	5,134,050
Illinois Health Facilities Authority, Revenue: (Advocate Network Health Care) 6.125%, 11/15/2010		
	5,000,000	^a 5,555,350

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(OSF Healthcare Systems) 6.25%, 11/15/2009	10,900,000	a	12,053,329
Indiana 1.6%			
Franklin Township School Building Corp. 6.125%, 7/15/2010	6,000,000	a	6,741,600
Louisiana 2.8%			
Louisiana Public Facilities Authority, HR (Franciscan Missionaries of Our Lady Health System Project) 5.25%, 8/15/2036	4,000,000		4,084,520
West Feliciana Parish, PCR (Entergy Gulf States): 7%, 11/1/2015	3,000,000		3,047,490
6.60%, 9/1/2028	4,700,000		4,747,517
Maryland 1.5%			
Maryland Economic Development Corp., Student Housing Revenue (University of Maryland) 5.75%, 10/1/2033	2,550,000		2,680,994
Maryland Industrial Development Financing Authority, EDR (Medical Waste Associates Limited Partnership) 8.75%, 11/15/2010	3,710,000		2,652,613
Prince George's County, Special Obligation (National Harbor Project) 5%, 7/1/2034	1,000,000		996,260

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STATEMENT OF INVESTMENTS (continued)

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
Massachusetts 3.2%		
Massachusetts Development Finance Agency, Revenue (WGBH Educational Foundation) 5.375%, 1/1/2042 (Insured; AMBAC)	5,750,000	6,139,908
Massachusetts Health and Educational Facilities Authority, Revenue: (Civic Investments) 9%, 12/15/2015	2,000,000	2,428,860
(Partners Healthcare System) 5.75%, 7/1/2032	3,000,000	3,256,950
Massachusetts Housing Finance Agency (Housing): 5%, 6/1/2030	1,000,000	1,023,640
5.10%, 6/1/2037	900,000	905,229
Michigan 2.5%		
Charyl Stockwell Academy, COP 6%, 10/1/2035	2,000,000	2,007,600
Michigan Strategic Fund, SWDR (Genesee Power Station) 7.50%, 1/1/2021	8,950,000	8,920,376
Minnesota 1.0%		

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Saint Paul Housing and Redevelopment Authority, Hospital Facility Revenue (HealthEast Project):		
6%, 11/15/2025	1,000,000	1,074,010
6%, 11/15/2035	3,000,000	3,201,450
Mississippi 0.7%		
Mississippi Business Finance Corp. PCR (Systems Energy Resources, Inc.) 5.90%, 5/1/2022		
	3,160,000	3,215,616
Nebraska 0.3%		
Nebraska Investment Finance Authority, SFMR 8.983%, 3/1/2026		
	1,500,000 ^{c,d}	1,555,545
Nevada 3.9%		
Clark County, IDR (Nevada Power Co. Project) 5.60%, 10/1/2030		
	3,000,000	2,978,670
Washoe County: (Reno-Sparks Convention) 6.40%, 1/1/2010 (Insured; FSA)		
	8,000,000 ^a	8,877,520
Water Facility Revenue (Sierra Pacific Power Co.) 5%, 3/1/2036		
	5,000,000	5,058,950
New Hampshire 3.4%		
New Hampshire Business Finance Authority, PCR (Public Service Co.): Series D, 6%, 5/1/2021 (Insured; MBIA)		
	2,690,000	2,871,683
Series E, 6%, 5/1/2021 (Insured; MBIA)		
	6,000,000	6,405,240

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Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
New Hampshire (continued)		
New Hampshire Industrial Development Authority, PCR (Connecticut Light) 5.90%, 11/1/2016		
	5,400,000	5,512,158
New Jersey 4.2%		
New Jersey Economic Development Authority, Special Facilities Revenue (Continental Airlines, Inc. Project): 6.25%, 9/15/2019		
	3,620,000	3,142,269
6.25%, 9/15/2029		
	4,000,000	3,318,360
Tobacco Settlement Financing Corp. of New Jersey 7%, 6/1/2041		
	10,095,000	11,470,242
New York 1.9%		
New York City Industrial Development Agency, Special Facility Revenue (American Airlines, Inc. John F. Kennedy International Airport Project) 8%, 8/1/2028		
	3,000,000	2,989,830
New York State Dormitory Authority, Revenue: (Marymount Manhattan College)		

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6.25%, 7/1/2029 (Insured; Radian) (Suffolk County Judicial Facility)	4,000,000	4,338,720
9.50%, 4/15/2014	605,000	834,404
North Carolina 1.2%		
Gaston County Industrial Facilities and Pollution Control Financing Authority, Exempt Facilities Revenue (National Gypsum Co. Project) 5.75%, 8/1/2035	2,500,000	2,597,725
North Carolina Eastern Municipal Power Agency, Power Systems Revenue 6.70%, 1/1/2019	2,500,000	2,749,950
Ohio 6.5%		
Cuyahoga County: Hospital Facilities Revenue (UHHS/CSAHS Cuyahoga Inc. and CSAHS/UHHS Canton Inc. Projects) 7.50%, 1/1/2030	3,500,000	3,895,255
Hospital Improvement Revenue (The Metrohealth System Project) 6.15%, 2/15/2009	10,000,000 ^a	10,891,200
Mahoning County, HR (Forum Health Obligation Group) 6%, 11/15/2032	4,000,000	4,255,840

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STATEMENT OF INVESTMENTS (continued)

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
Ohio (continued)		
Ohio Air Quality Development Authority, PCR (Cleveland Electric Illuminating Co.) 6.10%, 8/1/2020 (Insured; ACA)	2,400,000	2,499,072
Ohio Housing Finance Agency, Residential Mortgage Revenue (Mortgage-Backed Securities Program) 6.15%, 3/1/2029 (Collateralized; GNMA)	2,130,000	2,178,394
Ohio Water Development Authority, PCR (Cleveland Electric) 6.10%, 8/1/2020 (Insured; ACA)	4,000,000	4,165,120
Oklahoma 4.1%		
Oklahoma Development Finance Authority, Revenue (Saint John Health System) 6%, 2/15/2029	9,000,000	9,616,950
Oklahoma Industries Authority, Health System Revenue (Obligation Group): 5.75%, 8/15/2009 (Insured; MBIA)	2,105,000	^a 2,281,778
5.75%, 8/15/2029 (Insured; MBIA)	2,895,000	3,100,053
Tulsa Municipal Airport Trust Revenue		

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(American Airlines Project) 5.65%, 12/1/2035	2,550,000		2,422,934
Oregon 0.8%			
Western Generation Agency, Cogeneration Project Revenue (Wauna Cogeneration) 7.40%, 1/1/2016	3,250,000		3,294,298
Pennsylvania 2.3%			
Allegheny County Port Authority, Special Transportation Revenue 6.125%, 3/1/2009 (Insured; MBIA)	4,750,000	a	5,184,910
Pennsylvania Economic Development Financing Authority, Exempt Facilities Revenue (Reliant Energy) 6.75%, 12/1/2036	4,000,000		4,253,920
Pennsylvania Housing Finance Agency, Multi-Family Development Revenue 8.25%, 12/15/2019	254,000		254,584
Rhode Island 1.5%			
Rhode Island Health and Educational Building Corp., Higher Educational Facilities (University of Rhode Island) 5.875%, 9/15/2009 (Insured; MBIA)	5,910,000	a	6,465,304
South Carolina 6.6%			
Greenville County School District, Installment Purchase Revenue (Residuals-Series 982) 7.70%, 12/1/2028	7,500,000	c,d	8,529,375

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Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
South Carolina (continued)		
Greenville Hospital System, Hospital Facilities Revenue 5.50%, 5/1/2026 (Insured; AMBAC)	7,000,000	7,526,470
Richland County, EIR (International Paper Co.) 6.10%, 4/1/2023	6,500,000	6,962,800
The Medical University of South Carolina, Hospital Facilities Revenue 6%, 7/1/2009	5,000,000 ^a	5,459,150
Tennessee 3.8%		
Johnson City Health and Educational Facilities Board, HR (1st Mortgage-Mountain State Health): 7.50%, 7/1/2025	2,000,000	2,355,620
7.50%, 7/1/2033	4,875,000	5,691,709
Memphis Center City Revenue Finance Corp., Sports Facility Revenue (Memphis Redbirds) 6.50%, 9/1/2028	6,000,000	6,092,460
Tennessee Housing Development Agency		

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(Homeownership Program) 6%, 1/1/2028	2,040,000	2,077,373
Texas 21.5%		
Arlington Dallas Cowboys Complex Special Obligations, Tax Exempt Special Tax 5%, 8/15/2034 (Insured; MBIA)	3,500,000	3,728,025
Dallas Fort Worth International Airport, Facility Improvement Corp. Revenue (Bombardier Inc.) 6.15%, 1/1/2016	3,000,000	3,053,580
Gregg County Health Facilities Development Corp., HR (Good Shepherd Medical Center) 6.375%, 10/1/2025 (Insured; Radian)	2,500,000	2,756,600
Harris County Health Facilities Development Corp., HR (Memorial Hermann Healthcare) 6.375%, 6/1/2011	7,000,000 ^a	7,942,480
Harris County-Houston Sports Authority, Revenue (Third Lien-A-3) Zero Coupon, 11/15/2031 (Insured; MBIA)	9,685,000	2,443,235
Houston, Airport System Special Facilities Revenue (Continental Airlines, Inc. Terminal E Project) 6.75%, 7/1/2021	2,000,000	1,807,280
Katy Independent School District (Permanent School Fund Guaranteed) 6.125%, 2/15/2009	11,360,000 ^a	12,280,160
Lubbock Housing Financing Corp., SFMR 6.70%, 10/1/2030 (Collateralized: FNMA and GNMA)	2,005,000	2,085,741

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STATEMENT OF INVESTMENTS *(continued)*

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
Texas (continued)		
Sabine River Authority, PCR (TXU Electric):		
5.50%, 11/1/2011	2,490,000	2,648,215
6.45%, 6/1/2021	4,900,000	5,245,009
Springhill Courtland Heights Public Facility Corp., MFHR 5.85%, 12/1/2028	6,030,000	5,755,394
Texas:		
(Veterans) 6%, 12/1/2030	3,935,000	4,188,453
(Veterans Housing Assistance Program) 6.10%, 6/1/2031	8,510,000	8,982,305
Texas Department of Housing and Community Affairs: Home Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA) 10.778%, 7/2/2024	2,000,000 ^c	2,018,780

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7%, 6/1/2024	2,140,000	2,154,530
6.90%, 9/1/2024	2,465,000	2,486,297
Wyoming Student Loan Corp., Student Loan Revenue:		
6.20%, 6/1/2024	5,000,000	5,333,650
6.25%, 6/1/2029	5,000,000	5,317,550
U.S. Related 0.7%		
Children's Trust Fund of Puerto Rico, Tobacco Settlement Revenue, Asset Backed Bonds Zero Coupon, 5/15/2055	20,000,000	661,000
Puerto Rico Infrastructure Financing Authority, Special Tax Revenue Zero Coupon, 7/1/2035 (Insured; AMBAC)	10,000,000	2,333,900
Total Long-Term Municipal Investments (cost \$575,144,025)		598,917,076

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STATEMENT OF INVESTMENTS (continued)

	Principal Amount (\$)	Value (\$)
Short-Term Municipal Investments 1.8%		
California 0.1%		
California Pollution Control Financing Authority, PCR (Pacific Gas and Electric Corp.) 2.96% (LOC; JPMorgan Chase Bank)	300,000 ^e	300,000
Louisiana 0.5%		
New Orleans, Sewage Service, BAN 3%, 7/26/2006	2,500,000	2,413,475
Texas 1.2%		
Bell County Health Facilities Development Corp., HR (Scott and White Memorial Hospital and Scott, Sherwood and Brindley Foundation Project) 3% (Insured; MBIA and Liquidity Facility; JPMorgan Chase Bank)	2,300,000 ^e	2,300,000
Harris County Health Facilities Development Corp., Revenue (The Methodist Hospital System) 3%	2,900,000 ^e	2,900,000
Total Short-Term Municipal Investments (cost \$7,971,250)		7,913,475
Total Investments (cost \$583,115,275)	141.6%	606,830,551
Cash and Receivables (Net)	1.8%	7,635,545
Preferred Stock, at redemption value	(43.4%)	(186,000,000)
Net Assets	100.0%	428,466,096

Summary of Abbreviations

ACA	American Capital Access	GIC	Guaranteed Investment Contract
AGC	ACE Guaranty Corporation	GNMA	Government National Mortgage Association
AGIC	Asset Guaranty Insurance Company	GO	General Obligation
AMBAC	American Municipal Bond Assurance Corporation	HR	Hospital Revenue
ARRN	Adjustable Rate Receipt Notes	IDB	Industrial Development Board
BAN	Bond Anticipation Notes	IDC	Industrial Development Corporation
BIGI	Bond Investors Guaranty Insurance	IDR	Industrial Development Revenue
BPA	Bond Purchase Agreement	LOC	Letter of Credit
CGIC	Capital Guaranty Insurance Company	LOR	Limited Obligation Revenue
CIC	Continental Insurance Company	LR	Lease Revenue
CIFG	CDC Ixis Financial Guaranty	MBIA	Municipal Bond Investors Assurance Insurance Corporation
CMAC	Capital Market Assurance Corporation	MFHR	Multi-Family Housing Revenue
COP	Certificate of Participation	MFMR	Multi-Family Mortgage Revenue
CP	Commercial Paper	PCR	Pollution Control Revenue
EDR	Economic Development Revenue	RAC	Revenue Anticipation Certificates
EIR	Environmental Improvement Revenue	RAN	Revenue Anticipation Notes
FGIC	Financial Guaranty Insurance Company	RAW	Revenue Anticipation Warrants
FHA	Federal Housing Administration	RRR	Resources Recovery Revenue
FHLB	Federal Home Loan Bank	SAAN	State Aid Anticipation Notes
FHLMC	Federal Home Loan Mortgage Corporation	SBPA	Standby Bond Purchase Agreement
FNMA	Federal National Mortgage Association	SFHR	Single Family Housing Revenue
FSA	Financial Security Assurance	SFMR	Single Family Mortgage Revenue
GAN	Grant Anticipation Notes	SONYMA	State of New York Mortgage Agency
		SWDR	Solid Waste Disposal Revenue
		TAN	Tax Anticipation Notes
		TAW	Tax Anticipation Warrants
		TRAN	Tax and Revenue Anticipation Notes
		XLCA	XL Capital Assurance

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STATEMENT OF INVESTMENTS *(continued)*

Summary of Combined Ratings (Unaudited)

Fitch or	Moody[s]	or Standard & Poor[s]	Value (%) □
AAA	Aaa	AAA	27.5
AA	Aa	AA	16.7
A	A	A	15.1
BBB	Baa	BBB	24.5
BB	Ba	BB	3.2
B	B	B	3.1

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CCC	Caa	CCC	1.2
F1	MIG1/P1	SP1/A1	.9
Not Rated ^f	Not Rated ^f	Not Rated ^f	7.8
			100.0

- ^a Based on total investments.
 These securities are prerefunded: the date shown represents the prerefunded date. Bonds which are prerefunded are collateralized by U.S. Government securities which are held in escrow and are used to pay principal and interest on the municipal issue and to retire the bonds in full at the earliest refunding date.
- ^b Non-income producing security, interest payments in default.
- ^c 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 November 30, 2005, these securities amounted to \$10,084,920 or 2.4% 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 Manager to be of comparable quality to those rated securities in which the fund may invest.
- See notes to financial statements.

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STATEMENT OF ASSETS AND LIABILITIES

November 30, 2005

	Cost	Value
Assets (\$):		
Investments in securities See Statement of Investments	583,115,275	606,830,551
Cash		9,934
Interest receivable		11,138,847
Receivable for investment securities sold		2,046,392
Prepaid expenses		9,455
		620,035,179
Liabilities (\$):		
Due to The Dreyfus Corporation and affiliates Note 3(a)		329,031
Payable for investment securities purchased		5,025,585
Dividends payable to Preferred shareholders		52,742
Commissions payable		9,354
Accrued expenses and other liabilities		152,371
		5,569,083
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 value) Note 1		186,000,000

Net Assets applicable to Common Shareholders (\$)	428,466,096
Composition of Net Assets (\$):	
Common Stock, par value, \$.001 per share (48,254,703 shares issued and outstanding)	48,255
Paid-in capital	436,210,021
Accumulated undistributed investment income [□] net	608,862
Accumulated net realized gain (loss) on investments	(32,116,318)
Accumulated net unrealized appreciation (depreciation) on investments	23,715,276
Net Assets applicable to Common Shareholders (\$)	428,466,096
Common Shares Outstanding	
(110 million shares of \$.001 par value Common Stock authorized)	48,254,703
Net Asset Value per share of Common Stock (\$)	8.88

See notes to financial statements.

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STATEMENT OF OPERATIONS

Year Ended November 30, 2005

Investment Income (\$):	
Interest Income	34,998,413
Expenses:	
Investment advisory fee [□] Note 3(a)	3,092,396
Administration fee [□] Note 3(a)	1,546,198
Commission fees [□] Note 1	463,512
Shareholders [□] reports	95,930
Professional fees	83,780
Registration fees	60,639
Directors [□] fees and expenses [□] Note 3(b)	42,106
Custodian fees	4,076
Shareholder servicing costs	3,231
Interest expense [□] Note 2	1,308
Miscellaneous	52,715
Total Expenses	5,445,891
Less [□] reduction in investment advisory fee due to undertaking [□] Note 3(a)	(618,479)
Less [□] reduction in custody fees due to earnings credit [□] Note 1(b)	(569)
Net Expenses	4,826,843
Investment Income[□]Net	30,171,570

Realized and Unrealized Gain (Loss) on Investments [Note 4 (\$):

Net realized gain (loss) on investments	3,487,743
Net realized gain (loss) on financial futures	(97,416)
Net realized gain (loss) on options transactions	(149,937)
Net Realized Gain (Loss)	3,240,390
Net unrealized appreciation (depreciation) on investments	3,264,265
Net Realized and Unrealized Gain (Loss) on Investments	6,504,655
Dividends on Preferred Stock	(4,087,520)
Net Increase in Net Assets Resulting from Operations	32,588,705

See notes to financial statements.

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STATEMENT OF CHANGES IN NET ASSETS

Year Ended November 30,

2005