

DREYFUS STRATEGIC MUNICIPAL BOND FUND INC  
Form N-CSR  
July 26, 2007  
**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)

Michael A. Rosenberg, 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: 5/31/07

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**FORM N-CSR**

**Item 1. Reports to Stockholders.**

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**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

## A LETTER FROM THE CEO

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Strategic Municipal Bond Fund, Inc., covering the six-month period from December 1, 2006, through May 31, 2007.

The U.S. economy continued to moderate during the reporting period as cooling housing markets took their toll on consumer and business spending. Labor markets, however, remained quite strong, and key measures of inflation have stayed stubbornly above the Federal Reserve's stated "comfort zone." Our economists believe that the anemic rate of U.S. economic growth recorded in the first quarter of 2007 should be the weakest reading of the current midcycle slowdown, and economic growth is likely to recover eventually to a near-trend pace.

The likely implications of our economic outlook include a long pause in Fed policy, a modest drop in 10-year Treasury bond yields (and consequent rise in price) and, in the absence of an as-yet unforeseen event, persistently tight yield spreads throughout the municipal bond market sectors. We expect these developments to produce both challenges and opportunities for fixed-income investors. As always, your financial advisor can help you position your investments for these trends.

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

Thank you for your continued confidence and support.

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## DISCUSSION OF FUND PERFORMANCE

*For the period of December 1, 2006, through May 31, 2007, as provided by James Welch, Portfolio Manager*

### **Fund and Market Performance Overview**

Although municipal bonds rallied over much of the reporting period, bouts of volatility largely offset those gains, and the market's returns were derived primarily from income. The fund participated in the market's strength, with particularly strong results from its core holdings of seasoned bonds.

For the six-month period ended May 31, 2007, the fund achieved a total return of 0.53%.<sup>1</sup> Over the same period, the fund provided aggregate income dividends of \$0.258 per share, which reflects a distribution rate of 5.66%.<sup>2</sup>

### **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.

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 invest-

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DISCUSSION OF FUND PERFORMANCE (continued)

ment 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.

**Heightened Volatility Offset Previous Market Gains**

After a sustained period of strong economic growth, higher energy prices and rising short-term interest rates, U.S. economic growth had begun to moderate by the time the reporting period began. Weakness in the housing and automobile sectors weighed on the economy, falling energy prices alleviated inflation concerns, and the Federal Reserve Board (the "Fed") refrained from further rate hikes throughout the reporting period. As investors' inflation fears waned, municipal bonds rallied. In addition, while the supply of newly issued municipal bonds increased compared to the same period one year earlier, technical forces remained positive due to robust investor demand.

However, heightened volatility over the first five months of 2007 erased earlier market gains. Turmoil in overseas equity markets and the U.S. sub-prime mortgage sector caused investor sentiment to falter in late February and early March, and signs of stronger-than-expected economic growth in April and May caused bond yields to rise and prices to fall. As a result, municipal bond prices ended the reporting period slightly lower than where they began, and the majority of the market's and fund's returns were comprised of current income.

**Core Holdings Helped Boost Current Income**

The fund benefited in this environment from its holdings of income-oriented bonds, including seasoned, core holdings that were acquired when yields were higher than today. The fund received especially strong income contributions from lower-rated holdings, such as bonds issued on behalf of airlines and the states' settlement of litigation with

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U.S. tobacco companies. The fund's returns also were supported by a modestly long average duration, which enabled the fund to participate more fully in incrementally higher income toward the longer end of the market's maturity range.

On the other hand, some of the fund's longstanding holdings matured or were redeemed early by their issuers, and we were unable to replace them with securities carrying comparable yields. In addition, the fund's leveraging strategy proved to be less effective than in previous reporting periods, primarily due to a narrowing of yield differences along the market's maturity range. Yields of the fund's auction-rate preferred notes, which fuel our leveraging strategy, rose along with short-term interest rates, while yields declined on the long-term municipal bonds in which the fund invests. These factors led us to reduce the fund's dividend distribution rate in May to a level that better reflects prevailing and expected market conditions.

**Fed Expected to Remain On Hold**

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Recent U.S. economic data have been mixed, with signs of greater economic weakness emerging at the same time that inflation has remained stubbornly above the Fed's "comfort zone." As a result, it seems to us that the Fed is unlikely to raise or reduce short-term interest rates any time soon. We therefore expect to maintain the fund's long average duration and its focus on income-oriented securities.

June 15, 2007

- 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 August 31, 2007. 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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## STATEMENT OF INVESTMENTS

May 31, 2007 (Unaudited)

<b>Long-Term Municipal Investments</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Alaska 3.8%</b>				
Alaska Housing Finance Corporation, General Mortgage Revenue (Insured; MBIA)	6.05	6/1/39	11,915,000	12,167,836
Alaska Housing Finance Corporation, Single-Family Residential Mortgage Revenue (Veterans Mortgage Program)	6.25	6/1/35	4,180,000	4,340,972
<b>Arizona 5.5%</b>				
Apache County Industrial Development Authority, PCR (Tucson Electric Power Company Project)	5.85	3/1/28	2,220,000	2,221,354
<b>Arkansas 6.6%</b>				
Arkansas Development Finance Authority, SFMR (Mortgage Backed Securities Program) (Collateralized: FNMA and GNMA)	6.25	1/1/32	2,610,000	2,659,433
<b>California 10.6%</b>				
California, GO (Various Purpose)	5.50	4/1/14	4,605,000 <sup>a</sup>	5,056,014

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California, GO (Various Purpose)	5.25	11/1/27	4,240,000	4,503,898
California Department of Veteran Affairs, Home Purchase Revenue	5.20	12/1/28	2,950,000	2,951,681
California Health Facilities Financing Authority, Revenue (Cedars-Sinai Medical Center)	6.25	12/1/09	3,750,000 <sup>a</sup>	4,019,400
Golden State Tobacco Securitization Corporation, Tobacco Settlement				
Asset-Backed Bonds Golden State Tobacco Securitization Corporation, Tobacco Settlement	5.00	6/1/33	5,000,000	4,949,050
Asset-Backed Bonds Silicon Valley Tobacco Securitization Authority, Tobacco Settlement	5.75	6/1/47	20,000,000	21,185,400
Asset-Backed Bonds (Santa Clara County Tobacco Securitization Corporation)	0.00	6/1/36	15,290,000	3,111,821

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

	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Colorado 3.9%</b>				
Colorado Health Facilities Authority, Revenue (American Housing Foundation I, Inc. Project)	8.50	12/1/31	1,970,000	2,100,335
Colorado Housing Finance Authority (Single Family Program) (Collateralized; FHA)	6.60	8/1/32	1,910,000	2,007,964
Denver City and County, Special Facilities Airport Revenue (United Airlines Project)	6.88	10/1/32	2,885,000	2,922,505
Northwest Parkway Public Highway Authority, Revenue	7.13	6/15/41	7,000,000	7,503,440
Salida Hospital District, HR	5.25	10/1/36	2,500,000	2,515,400
<b>Connecticut 4.6%</b>				
Connecticut Development Authority, PCR (Connecticut Light and Power Company Project)	5.95	9/1/28	9,000,000	9,330,120
Connecticut Resources Recovery Authority, Special Obligation				

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Revenue (American REF-FUEL Company of Southeastern Connecticut Project)	6.45	11/15/22	4,985,000	5,060,722
Mohegan Tribe of Indians of Connecticut Gaming Authority, Priority Distribution Payment				
Public Improvement Revenue	5.38	1/1/11	4,400,000	4,478,584
Mohegan Tribe of Indians of Connecticut Gaming Authority, Priority Distribution Payment				
Public Improvement Revenue	6.25	1/1/31	1,000,000	1,059,500
<b>District of Columbia 3.2%</b>				
District of Columbia Tobacco Settlement Financing Corporation, Tobacco				
Settlement Asset-Backed Bonds	0.00	6/15/46	104,040,000	10,077,314
Metropolitan Washington Airports Authority, Special Facility				
Revenue (Caterair International Corporation)	10.13	9/1/11	3,700,000	3,705,624

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Florida 5.0%</b>				
Escambia County, EIR (International Paper Company Project)	5.00	8/1/26	1,825,000	1,835,439
Escambia County, EIR (International Paper Company Project)	5.00	8/1/26	2,300,000	2,313,156
Florida Housing Finance Corporation, Housing Revenue (Seminole Ridge Apartments) (Collateralized; GNMA)	6.00	4/1/41	6,415,000	6,617,586
Highlands County Health Facilities Authority, HR (Adventist Health System/Sunbelt Obligated Group)	5.25	11/15/36	4,000,000	4,147,760
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/09	70,000 <sup>a</sup>	73,972

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Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/26	3,430,000	3,582,361
Orange County Health Facilities Authority, Revenue (Adventist Health System)	6.25	11/15/12	3,000,000 <sup>a</sup>	3,322,410
<b>Georgia</b> 2.5%				
Atlanta, Airport Revenue (Insured; FSA)	5.25	1/1/25	3,000,000	3,151,770
Augusta, Airport Revenue	5.45	1/1/31	2,500,000	2,623,225
Georgia Housing and Finance Authority, SFMR	5.60	12/1/32	2,335,000	2,431,342
Savannah Economic Development Authority, EIR (International Paper Company Project)	6.20	8/1/27	2,670,000	2,880,716
<b>Idaho</b> 1.1%				
Idaho Housing and Finance Association, SFMR (Collateralized; FNMA)	6.35	1/1/30	390,000	401,213

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<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Illinois</b> 8.4%				
Chicago, MFHR (Sankofa House Project) (Collateralized; GNMA and Insured; FHA)	5.00	11/20/48	1,360,000	1,336,377
Chicago, SFMR (Collateralized: FHLMC, FNMA and GNMA)	6.25	10/1/32	1,805,000	1,839,512
Chicago O'Hare International Airport, General Airport Third Lien Revenue (Insured; XLCA)	6.00	1/1/29	5,000,000	5,561,350
Chicago O'Hare International Airport, Special Facilities Revenue (American Airlines Inc. Project)	8.20	12/1/24	5,700,000	5,757,000
Illinois Educational Facilities Authority, Revenue (Northwestern University)	5.00	12/1/38	5,000,000	5,172,300
Illinois Health Facilities Authority, Revenue (Advocate Health Care Network)	6.13	11/15/10	5,000,000 <sup>a</sup>	5,358,800



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Illinois Health Facilities Authority, Revenue (OSF Healthcare System)	6.25	11/15/09	10,900,000 <sup>a</sup>	11,623,542
<b>Indiana</b> 1.5%				
Franklin Township School Building Corporation, First Mortgage Bonds	6.13	7/15/10	6,000,000 <sup>a</sup>	6,508,800
<b>Louisiana</b> 2.2%				
Lakeshore Villages Master Community Development District, Special Assessment Revenue	5.25	7/1/17	2,000,000	1,976,040
West Feliciana Parish, PCR (Entergy Gulf States Project)	7.00	11/1/15	3,000,000	3,032,280
West Feliciana Parish, PCR (Entergy Gulf States Project)	6.60	9/1/28	4,700,000	4,736,613
<b>Maryland</b> 1.3%				
Maryland Economic Development Corporation, Senior Student Housing Revenue (University of Maryland, Baltimore Project)	5.75	10/1/33	2,550,000	2,548,062

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Maryland (continued)</b>				
Maryland Industrial Development Financing Authority, EDR (Medical Waste Associates Limited Partnership Facility)	8.75	11/15/10	3,710,000	3,104,676
<b>Massachusetts</b> 2.7%				
Massachusetts Health and Educational Facilities Authority, Revenue (Civic Investments Issue)	9.00	12/15/15	2,000,000	2,453,700
Massachusetts Health and Educational Facilities Authority, Revenue (Partners HealthCare System Issue)	5.75	7/1/32	3,000,000	3,214,950
Massachusetts Housing Finance Agency, SFHR	5.00	12/1/31	6,000,000	6,055,860
<b>Michigan</b> 2.9%				
Kent Hospital Finance Authority, Revenue (Metropolitan Hospital Project)	6.00	7/1/35	4,000,000	4,371,480

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Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	8,420,000	8,419,747
<b>Minnesota</b> 1.1%				
Saint Paul Housing and Redevelopment Authority, Hospital Facility Revenue (HealthEast Project)	6.00	11/15/25	1,240,000	1,352,741
Saint Paul Housing and Redevelopment Authority, Hospital Facility Revenue (HealthEast Project)	6.00	11/15/35	3,000,000	3,270,570
<b>Mississippi</b> 0.7%				
Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project)	5.90	5/1/22	3,160,000	3,191,853
<b>Nebraska</b> 0.2%				
Nebraska Investment Finance Authority, SFMR	7.77	3/1/26	1,000,000 <sup>b,c</sup>	1,016,260

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<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Nevada</b> 2.6%				
Clark County, IDR (Nevada Power Company Project)	5.60	10/1/30	3,000,000	3,019,050
Washoe County, GO Convention Center Revenue (Reno-Sparks Convention and Visitors Authority) (Insured; FSA)	6.40	1/1/10	8,000,000 <sup>a</sup>	8,501,840
<b>New Hampshire</b> 3.3%				
New Hampshire Business Finance Authority, PCR (Public Service Company of New Hampshire Project) (Insured; MBIA)	6.00	5/1/21	2,690,000	2,789,342
New Hampshire Business Finance Authority, PCR (Public Service Company of New Hampshire Project) (Insured; MBIA)	6.00	5/1/21	6,000,000	6,221,580
New Hampshire Industrial Development Authority, PCR (Connecticut Light and Power Company Project)	5.90	11/1/16	5,400,000	5,539,266
<b>New Jersey</b> 4.9%				

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New Jersey Economic Development Authority, Special Facility Revenue (Continental Airlines, Inc. Project)	6.25	9/15/19	4,620,000	4,778,697
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement				
Asset-Backed Bonds	7.00	6/1/13	10,095,000 <sup>a</sup>	11,746,037
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement				
Asset-Backed Bonds	5.00	6/1/41	5,000,000	4,886,500
<b>New York 8.1%</b>				
New York City Industrial Development Agency, Special Facility Revenue (American Airlines, Inc. John F. Kennedy International Airport Project)	8.00	8/1/28	3,000,000	3,671,130

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>New York (continued)</b>				
New York City Industrial Development Agency, Special Facility Revenue (American Airlines, Inc. John F. Kennedy International Airport Project)	7.75	8/1/31	10,000,000	12,056,800
New York Liberty Development Corporation, Revenue (Goldman Sachs Headquarters Issue)	5.25	10/1/35	13,000,000	14,473,550
New York State Dormitory Authority, Revenue (Marymount Manhattan College) (Insured; Radian)	6.25	7/1/29	4,000,000	4,205,000
New York State Dormitory Authority, Revenue (Suffolk County Judicial Facility)	9.50	4/15/14	605,000	800,294
<b>North Carolina 6%</b>				
North Carolina Eastern Municipal Power Agency, Power System Revenue	6.70	1/1/19	2,500,000	2,671,625
<b>Ohio 5.1%</b>				

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Cuyahoga County, Hospital Facilities Revenue (UHHS/CSAHS-Cuyahoga, Inc. and CSAHS/UHHS-Canton, Inc. Project)	7.50	1/1/30	3,500,000	3,815,210
Cuyahoga County, Hospital Improvement Revenue (The Metrohealth Systems Project)	6.15	2/15/09	10,000,000 <sup>a</sup>	10,487,000
Ohio Air Quality Development Authority, PCR (The Cleveland Electric Illuminating Company Project) (Insured; ACA)	6.10	8/1/20	2,400,000	2,453,712
Ohio Housing Finance Agency, Residential Mortgage Revenue (Mortgage-Backed Securities Program) (Collateralized; GNMA)	6.15	3/1/29	1,510,000	1,547,826
Ohio Water Development Authority, PCR (The Cleveland Electric Illuminating Company Project) (Insured; ACA)	6.10	8/1/20	4,000,000	4,089,520

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<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Oklahoma</b> 3.3%				
Oklahoma Development Finance Authority, Revenue (Saint John Health System)	6.00	2/15/29	9,000,000	9,361,620
Oklahoma Industries Authority, Health System Revenue (Obligated Group) (Insured; MBIA)	5.75	8/15/09	2,105,000 <sup>a</sup>	2,213,260
Oklahoma Industries Authority, Health System Revenue (Obligated Group) (Insured; MBIA)	5.75	8/15/29	2,895,000	3,020,411
<b>Pennsylvania</b> 3.4%				
Allegheny County Port Authority, Special Transportation Revenue (Insured; MBIA)	6.13	3/1/09	4,750,000 <sup>a</sup>	4,981,467
Lehman Municipal Trust Receipts (Pennsylvania Economic Development Financing Authority, SWDR (USG Corporation Project))	6.00	6/1/31	7,000,000 <sup>c,d</sup>	7,280,245
Pennsylvania Economic Development Financing Authority, Exempt				

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Facilities Revenue (Reliant Energy Seward, LLC Project)	6.75	12/1/36	2,000,000	2,211,340
Pennsylvania Housing Finance Agency, Multi-Family Development Revenue	8.25	12/15/19	241,000	241,549
<b>Rhode Island</b> 7%				
Rhode Island Health and Educational Building Corporation, Higher Educational Facilities Revenue (University of Rhode Island Auxiliary Enterprise Revenue Issue) (Insured; MBIA)	5.88	9/15/09	3,000,000 <sup>a</sup>	3,165,600
<b>South Carolina</b> 10.0%				
Greenville County School District, Installment Purchase Revenue (Building Equity Sooner for Tomorrow)	5.50	12/1/12	19,000,000 <sup>a,c,d</sup>	20,601,225

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>South Carolina (continued)</b>				
Greenville Hospital System, Hospital Facilities Revenue (Insured; AMBAC)	5.50	5/1/26	7,000,000	7,418,530
Medical University of South Carolina, Hospital Facilities Revenue	6.00	7/1/09	5,000,000 <sup>a</sup>	5,265,900
Richland County, EIR (International Paper Company Project)	6.10	4/1/23	6,500,000	7,026,305
Securing Assets for Education, Installment Purchase Revenue (Berkeley County School District Project)	5.13	12/1/30	3,280,000	3,450,002
<b>Tennessee</b> 6.0%				
Johnson City Health and Educational Facilities Board, Hospital First Mortgage Revenue (Mountain States Health Alliance)	7.50	7/1/25	2,000,000	2,308,240
Johnson City Health and				

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Educational Facilities Board, Hospital First Mortgage Revenue (Mountain States Health Alliance)	7.50	7/1/33	4,875,000	5,611,905
Memphis Center City Revenue Finance Corporation, Sports Facility Revenue (Memphis Redbirds Baseball Foundation Project)	6.50	9/1/28	6,000,000	5,981,400
Tennessee Energy Acquisition Corporation, Gas Project Revenue	5.25	9/1/26	9,700,000	10,583,573
Tennessee Housing Development Agency (Homeownership Program)	6.00	1/1/28	1,575,000	1,587,285
<b>Texas</b> 21.5%				
Alliance Airport Authority Inc., Special Facilities Revenue (American Airlines, Inc. Project)	5.75	12/1/29	2,000,000	2,014,460
Brazos River Harbor Navigation District, Revenue (The Dow Chemical Company Project)	5.13	5/15/33	5,000,000	5,046,650

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<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Texas (continued)</b>				
Cities of Dallas and Fort Worth, Dallas/Fort Worth International Airport, Facility Improvement Corporation Revenue (Learjet Inc. Project)	6.15	1/1/16	3,000,000	3,019,890
Gregg County Health Facilities Development Corporation, HR (Good Shepherd Medical Center Project) (Insured; Radian)	6.38	10/1/10	2,500,000 <sup>a</sup>	2,714,700
Gulf Coast Industrial Development Authority, Environmental Facilities Revenue (Microgy Holdings Project)	7.00	12/1/36	5,000,000	5,363,700
Harris County Health Facilities Development Corporation, HR (Memorial Hermann Healthcare System)	6.38	6/1/11	7,000,000 <sup>a</sup>	7,689,080
Harris County-Houston Sports Authority, Third Lien Revenue (Insured; MBIA)	0.00	11/15/31	9,685,000	2,830,732
Katy Independent School District,				

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Unlimited Tax School Building Bonds (Permanent School Fund Guarantee Program)	6.13	2/15/09	10,000,000 <sup>a</sup>	10,392,400
Lubbock Housing Financing Corporation, SFMR (Collateralized: FNMA and GNMA)	6.70	10/1/30	1,430,000	1,441,426
Sabine River Authority, PCR (TXU Electric Company Project)	6.45	6/1/21	4,900,000	5,112,905
Texas (Veterans Housing Assistance Program) (Collateralized; FHA)	6.10	6/1/31	8,510,000	8,875,164
Texas (Veterans Land)	6.00	12/1/30	3,935,000	4,156,777
Texas Department of Housing and Community Affairs, Home Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	9.61	7/2/24	1,300,000 <sup>b</sup>	1,369,394

The Fund 15

STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Texas (continued)</b>				
Texas Department of Housing and Community Affairs, Residential Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	5.35	7/1/33	5,265,000	5,378,566
Texas Transportation Commission, GO (Mobility Fund) (Insured; FGIC)	4.50	4/1/35	7,500,000	7,319,250
Texas Turnpike Authority, Central Texas Turnpike System Revenue (Insured; AMBAC)	5.25	8/15/42	6,775,000	7,113,818
Tomball Hospital Authority, Revenue (Tomball Regional Hospital)	6.00	7/1/25	4,650,000	4,803,636
Tyler Health Facilities Development Corporation, HR (East Texas Medical Center Regional Healthcare System Project)	6.75	11/1/25	5,850,000	5,894,987
Willacy County Local Government Corporation, Project Revenue	6.00	3/1/09	3,000,000	3,010,230

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**Virginia 4.8%**

Henrico County Industrial Development Authority, Revenue (Bon Secours Health System) (Insured; FSA)	7.92	8/23/27	7,500,000 <sup>b</sup>	9,894,750
Tobacco Settlement Financing Corporation of Virginia, Tobacco Settlement Asset-Backed Bonds	5.63	6/1/15	2,000,000 <sup>a</sup>	2,214,440
Virginia Housing Development Authority, Rental Housing Revenue	6.20	8/1/24	8,520,000	8,873,239

**Washington 2.4%**

Washington Higher Educational Facilities Authority, Revenue (Whitman College)	5.88	10/1/09	10,000,000 <sup>a</sup>	10,468,800
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**Long-Term Municipal  
Investments (continued)**

	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Wisconsin 8.0%</b>				
Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	6.13	6/1/27	9,560,000 <sup>c,d</sup>	10,255,347
Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	7.00	6/1/28	14,570,000	16,473,279
Wisconsin Health and Educational Facilities Authority, Revenue (Aurora Health Care, Inc.)	6.40	4/15/33	5,500,000	6,054,180
Wisconsin Health and Educational Facilities Authority, Revenue (Marshfield Clinic)	5.38	2/15/34	2,000,000	2,083,060
<b>Wyoming 3.5%</b>				
Sweetwater County, SWDR (FMC Corporation Project)	5.60	12/1/35	5,000,000	5,285,450
Wyoming Student Loan Corporation, Student Loan Revenue	6.20	6/1/24	5,000,000	5,000,000
Wyoming Student Loan Corporation, Student Loan Revenue	6.25	6/1/29	5,000,000	5,000,000
<b>U.S. Related 0.3%</b>				
Children's Trust Fund of Puerto Rico, Tobacco Settlement Asset-Backed Bonds	0.00	5/15/50	5,000,000	351,850



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Rico, Tobacco Settlement

Asset-Backed Bonds 0.00 5/15/55 20,000,000 750,000

**Total Long-Term Municipal Investments**

(cost \$605,105,949)

**629,527,826**

The Fund 17

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Option 9.0%	Contracts	Value (\$)
<b>Call Option;</b>		
July 2007 10 Year U.S. Treasury Future June 2007 @ 107 (cost \$35,531)	125	<b>21,484</b>
<b>Total Investments</b> (cost \$605,141,480)	<b>144.3%</b>	<b>629,549,310</b>
<b>Liabilities, Less Cash and Receivables</b>	<b>(1.7%)</b>	<b>(7,242,981)</b>
<b>Preferred Stock, at redemption value</b>	<b>(42.6%)</b>	<b>(186,000,000)</b>
<b>Net Assets Applicable to Common Shareholders</b>	<b>100.0%</b>	<b>436,306,329</b>

<sup>a</sup> 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. <sup>b</sup> Inverse floater security the interest rate is subject to change periodically. <sup>c</sup> 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, 2007, these securities amounted to \$39,153,077 or 9.0% of net assets applicable to Common Shareholders. <sup>d</sup> Collateral for floating rate borrowings.

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Summary of Abbreviations

<b>ACA</b>	American Capital Access	<b>AGC</b>	ACE Guaranty Corporation
<b>AGIC</b>	Asset Guaranty Insurance Company	<b>AMBAC</b>	American Municipal Bond Assurance Corporation
<b>ARRN</b>	Adjustable Rate Receipt Notes	<b>BAN</b>	Bond Anticipation Notes
<b>BIGI</b>	Bond Investors Guaranty Insurance	<b>BPA</b>	Bond Purchase Agreement
<b>CGIC</b>	Capital Guaranty Insurance Company	<b>CIC</b>	Continental Insurance Company
<b>CIFG</b>	CDC Ixis Financial Guaranty	<b>CMAC</b>	Capital Market Assurance Corporation
<b>COP</b>	Certificate of Participation	<b>CP</b>	Commercial Paper
<b>EDR</b>	Economic Development Revenue	<b>EIR</b>	Environmental Improvement Revenue
<b>FGIC</b>	Financial Guaranty Insurance Company	<b>FHA</b>	Federal Housing Administration

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<b>FHLB</b>	Federal Home Loan Bank	<b>FHLMC</b>	Federal Home Loan Mortgage Corporation
<b>FNMA</b>	Federal National Mortgage Association	<b>FSA</b>	Financial Security Assurance
<b>GAN</b>	Grant Anticipation Notes	<b>GIC</b>	Guaranteed Investment Contract
<b>GNMA</b>	Government National Mortgage Association	<b>GO</b>	General Obligation
<b>HR</b>	Hospital Revenue	<b>IDB</b>	Industrial Development Board
<b>IDC</b>	Industrial Development Corporation	<b>IDR</b>	Industrial Development Revenue
<b>LOC</b>	Letter of Credit	<b>LOR</b>	Limited Obligation Revenue
<b>LR</b>	Lease Revenue	<b>MBIA</b>	Municipal Bond Investors Assurance Insurance Corporation
<b>MFHR</b>	Multi-Family Housing Revenue	<b>MFMR</b>	Multi-Family Mortgage Revenue
<b>PCR</b>	Pollution Control Revenue	<b>PILOT</b>	Payment in Lieu of Taxes
<b>RAC</b>	Revenue Anticipation Certificates	<b>RAN</b>	Revenue Anticipation Notes
<b>RAW</b>	Revenue Anticipation Warrants	<b>RRR</b>	Resources Recovery Revenue
<b>SAAN</b>	State Aid Anticipation Notes	<b>SBPA</b>	Standby Bond Purchase Agreement
<b>SFHR</b>	Single Family Housing Revenue	<b>SFMR</b>	Single Family Mortgage Revenue
<b>SONYMA</b>	State of New York Mortgage Agency	<b>SWDR</b>	Solid Waste Disposal Revenue
<b>TAN</b>	Tax Anticipation Notes	<b>TAW</b>	Tax Anticipation Warrants
<b>TRAN</b>	Tax and Revenue Anticipation Notes	<b>XLCA</b>	XL Capital Assurance

The Fund 19

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Summary of Combined Ratings (Unaudited)

Fitch	or Moody's	or	Standard & Poor's	Value (%) <sup>□</sup>
AAA	Aaa		AAA	23.9
AA	Aa		AA	19.6
A	A		A	13.3
BBB	Baa		BBB	24.9
BB	Ba		BB	2.8
B	B		B	5.9
CCC	Caa		CCC	1.3
Not Rated <sup>e</sup>	Not Rated <sup>e</sup>		Not Rated <sup>e</sup>	8.3
				<b>100.0</b>

<sup>□</sup> Based on total investments.  
 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.

## STATEMENT OF ASSETS

May 31, 2007 (Unaudited)

## AND

## LIABILITIES

	Cost	Value
<b>Assets (\$):</b>		
Investments in securities—See Statement of Investments	605,141,480	629,549,310
Cash		229,785
Interest receivable		11,248,638
Prepaid expenses		5,702
		<b>641,033,435</b>
<b>Liabilities (\$):</b>		
Due to The Dreyfus Corporation and affiliates—Note 3(a)		350,445
Payable for floating rate notes issued		17,780,000
Interest and related expenses payable		368,208
Dividends payable to Preferred shareholders		44,456
Commissions payable		16,725
Accrued expenses and other liabilities		167,272
		<b>18,727,106</b>
<b>Auction Preferred Stock</b> , 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
<b>Net Assets applicable to Common Shareholders (\$)</b>		<b>436,306,329</b>
<b>Composition of Net Assets (\$):</b>		
Common Stock, par value, \$.001 per share (48,495,729 shares issued and outstanding)		48,496
Paid-in capital		438,464,435
Accumulated distributions in excess of investment income—net		(175,120)
Accumulated net realized gain (loss) on investments		(26,439,312)
Accumulated net unrealized appreciation (depreciation) on investments		24,407,830
<b>Net Assets applicable to Common Shareholders (\$)</b>		<b>436,306,329</b>
<b>Common Shares Outstanding</b> (110 million shares of \$.001 par value Common Stock authorized)		48,495,729
<b>Net Asset Value per share of Common Stock (\$)</b>		<b>9.00</b>

See notes to financial statements.

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**STATEMENT OF OPERATIONS**

Six Months Ended May 31, 2007 (Unaudited)

**Investment Income (\$):**

<b>Interest Income</b>	<b>17,974,495</b>
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**Expenses:**

Investment advisory fee—Note 3(a)	1,561,873
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Administration fee—Note 3(a)	780,937
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Interest and related expenses	366,323
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Commission fees—Note 1	244,998
------------------------	---------

Professional fees	41,301
-------------------	--------

Shareholders' reports	32,575
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Directors' fees and expenses—Note 3(b)	23,944
--	--------

Registration fees	7,148
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Shareholder servicing costs	6,712
-----------------------------	-------

Custodian fees	6,202
----------------	-------

Miscellaneous	31,118
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<b>Total Expenses</b>	<b>3,103,131</b>
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Less—reduction in investment advisory fee due to undertaking—Note 3(a)	(312,374)
--	-----------

Less—reduction in custody fees due to earnings credit—Note 1(b)	(1,187)
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<b>Net Expenses</b>	<b>2,789,570</b>
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<b>Investment Income—Net</b>	<b>15,184,925</b>
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**Realized and Unrealized Gain (Loss) on Investments—Note 4 (\$):**

Net realized gain (loss) on investments	1,742,758
---	-----------

Net unrealized appreciation (depreciation) on investments	(11,284,091)
---	--------------

<b>Net Realized and Unrealized Gain (Loss) on Investments</b>	<b>(9,541,333)</b>
---	--------------------

<b>Dividends on Preferred Stock</b>	<b>(3,368,272)</b>
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<b>Net Increase in Net Assets Resulting from Operations</b>	<b>2,275,320</b>
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*See notes to financial statements.*

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**STATEMENT OF CHANGES IN NET ASSETS**

	Six Months Ended May 31, 2007 (Unaudited)	Year Ended November 30, 2006
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**Operations (\$):**

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Investment income <sup>Ⓜ</sup> net	15,184,925	31,008,822
Net realized gain (loss) on investments	1,742,758	3,900,272
Net unrealized appreciation (depreciation) on investments	(11,284,091)	11,976,354
Dividends on Preferred Stock	(3,368,272)	(6,123,205)
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>2,275,320</b>	<b>40,762,243</b>
<hr/>		
<b>Dividends to Common Shareholders from (\$):</b>		
<b>Investment income<sup>Ⓜ</sup>net</b>	<b>(12,484,751)</b>	<b>(24,902,021)</b>
<hr/>		
<b>Capital Stock Transactions (\$):</b>		
Dividends reinvested <sup>Ⓜ</sup> Note 1(c)	1,916,979	272,463
<b>Total Increase (Decrease) in Net Assets</b>	<b>(8,292,452)</b>	<b>16,132,685</b>
<hr/>		
<b>Net Assets (\$):</b>		
Beginning of Period	444,598,781	428,466,096
<b>End of Period</b>	<b>436,306,329</b>	<b>444,598,781</b>
Undistributed (distributions in excess of) investment income <sup>Ⓜ</sup> net	(175,120)	492,978
<hr/>		
<b>Capital Share Transactions (Common Shares):</b>		
<b>Increase in Common Shares Outstanding as a Result of Dividends Reinvested</b>	<b>210,887</b>	<b>73,419</b>

See notes to financial statements.

The Fund 23

## 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, with respect to common stock and market price data for the fund's common shares.

	Six Months Ended	Year Ended November 30,				
	May 31, 2007	2006	2005	2004	2003	2002
	(Unaudited)					
<hr/>						
<b>Per Share Data (\$):</b>						
Net asset value,						
beginning of period	9.21	8.88	8.79	8.90	8.56	8.75
Investment Operations:						
Investment income <sup>Ⓜ</sup> ne <sup>Ⓐ</sup>	.31	.64	.63	.61	.64	.70
Net realized and unrealized						

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gain (loss) on investments	(.19)	.34	.13	(.06)	.36	(.26)
Dividends on Preferred Stock from investment income net	(.07)	(.13)	(.08)	(.05)	(.06)	(.07)
Total from Investment Operations	.05	.85	.68	.50	.94	.37
Distributions to Common Shareholders: Dividends from investment income net	(.26)	(.52)	(.59)	(.61)	(.60)	(.56)
Net asset value, end of period	9.00	9.21	8.88	8.79	8.90	8.56
Market value, end of period	9.12	9.29	8.16	8.41	8.81	7.88
<b>Total Return (%) <sup>b</sup></b>	.99 <sup>c</sup>	9.94	3.78	2.48	19.89	(.36)

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	Six Months Ended					
	May 31, 2007	Year Ended November 30,				
	(Unaudited)	2006	2005	2004	2003	2002

**Ratios/Supplemental Data (%):**

Ratio of total expenses to average net assets applicable to Common Stock <sup>d</sup>	1.41 <sup>e</sup>	1.38	1.26	1.26	1.28	1.28
Ratio of net expenses to average net assets applicable to Common Stock <sup>d</sup>	1.27 <sup>e</sup>	1.24	1.12	1.25	1.28	1.28
Ratio of net investment income to average net assets applicable to Common Stock <sup>d</sup>	6.91 <sup>e</sup>	7.16	6.98	6.96		