

DREYFUS STRATEGIC MUNICIPAL BOND FUND INC  
Form N-CSRS  
July 29, 2011

**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:      5/31/11

**FORM N-CSR**

**Item 1. Reports to Stockholders.**

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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.

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Dreyfus  
Strategic Municipal Bond Fund, Inc.

## The Fund

### A LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholder:

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We are pleased to present this semiannual report for Dreyfus Strategic Municipal Bond Fund, Inc., covering the six-month period from December 1, 2010, through May 31, 2011. For information about how the fund performed during the reporting period, as well as general market perspectives, we provide a Discussion of Fund Performance on the pages that follow.

The U.S. economy appears to have hit a soft patch in the spring of 2011 after accelerating over the final months of 2010. Disappointing labor, housing and manufacturing data have come at a time of higher energy prices and some tightening of monetary policy in global markets. In our view, the current slowdown should be relatively brief as the world recovers from the supply shocks created by weather impacts on food production, the decline in Libyan oil exports and supply-chain disruptions stemming from Japan's natural and nuclear disasters. The municipal bond market produced mildly positive total returns, on average, in this choppy economic environment. Although municipal bonds were undermined over much of the reporting period as credit concerns intensified and supply-and-demand dynamics changed, bond prices rebounded in the spring when investors delayed their expectations of rising short-term interest rates.

We remain optimistic as the U.S. economy moves through the middle stages of its cycle. Indeed, global macroeconomic policy generally has remained stimulative despite the recent efforts of some central banks to forestall inflationary pressures. We continue to expect sustainable economic growth, a rising but volatile uptrend in inflation and an improving U.S. labor market in the months ahead. As always, to determine how these forces may affect your investments, we urge you to talk regularly with your financial advisor.

Thank you for your continued confidence and support.

Jonathan R. Baum  
Chairman and Chief Executive Officer  
The Dreyfus Corporation  
June 15, 2011

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## DISCUSSION OF FUND PERFORMANCE

*For the period of December 1, 2010, through May 31, 2011, as provided by James Welch, Senior Portfolio Manager*

### Fund and Market Performance Overview

For the six-month period ended May 31, 2011, Dreyfus Strategic Municipal Bond Fund achieved a total return of 2.79% on a net-asset-value basis.<sup>1</sup> Over the same period, the fund provided aggregate income dividends of \$0.285 per share, which reflects a distribution rate of 7.26%.<sup>2</sup>

Municipal bonds encountered heightened volatility early in the reporting period amid rising long-term interest rates and changing supply-and-demand dynamics. However, market volatility later subsided and bond prices rebounded as a reduced supply of newly issued bonds was met by robust investor demand. Higher-quality municipal bonds generally fared better than their lower-rated counterparts in this environment.

### 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. 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 has issued auction-rate preferred stock (ARPS), a percentage of which remains outstanding from its initial public offering, and has invested 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 losses during times of higher market risk.

Over time, many of the fund's older, higher yielding bonds have matured or were redeemed by their issuers. We have attempted to replace those

DISCUSSION OF FUND PERFORMANCE *(continued)*

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.

**Municipal Bonds Encountered Heightened Volatility**

After producing generally attractive total returns over most of 2010, municipal bonds encountered heightened volatility over the final months of the year as the U.S. economic recovery appeared to gain traction, inflation fears intensified and long-term interest rates climbed. In addition, it became clear in December that the federal Build America Bonds program, which had diverted a substantial portion of new issuance to the taxable bond market, would be allowed to expire at the end of the year. Consequently, investors sold longer-maturity bonds in anticipation of a surge in the supply of newly issued securities as states and municipalities rushed to lock in federal subsidies.

Adding to investors' concerns at the time, most states continued to struggle with fiscal pressures as tax receipts remained below their pre-recession levels while costs moved higher, particularly those related to pensions and health care benefits for retired public-sector workers. Fear of potential municipal defaults—which we considered overblown—caused investors to become more averse to the credit risks that lower-rated bonds typically entail.

The market generally stabilized over the first five months of 2011, when the supply of newly issued municipal bonds declined sharply due to the surge in issuance at the end of 2010 and efforts among many state and local governments to rein in spending and borrowing. Meanwhile, investor demand recovered when individuals reacted to higher state income taxes, and institutional investors regarded municipal bonds as inexpensively valued.

**Improvements in Credit Quality Supported Relative Returns**

The fund weathered the market downturn early in the reporting period relatively well, due in part to our earlier efforts to upgrade the fund's overall credit quality. We reduced the fund's holdings of BBB-rated bonds in favor of securities with A ratings.

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The fund also benefited from its longer-term holdings, which rallied as the market stabilized, and bonds issued in fiscally stressed states such as California and Illinois rebounded as earlier credit concerns eased. The fund's leveraging strategy also added a degree of value during the reporting period. On the other hand, the fund's remaining holdings of BBB-rated bonds, including those backed by health care facilities and the states' settlement of litigation with U.S. tobacco companies, generally lagged market averages.

**Weathering a Period of Transition**

We have been encouraged by the municipal bond market's resilience. Although we expect additional bouts of market volatility over the near term as investors react to macroeconomic developments and the supply of newly issued bonds increases, we remain optimistic over the longer term. Once the transition to a more ample supply of tax-exempt securities is complete, demand seems likely to stay robust as investors respond to higher state taxes and possible federal tax increases down the road.

June 15, 2011

*Bond funds are subject generally to interest rate, credit, liquidity and market risks, to varying degrees, all of which are more fully described in the fund's prospectus. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes, and rate increases can cause price declines.*

*High yield bonds are subject to increased credit risk and are considered speculative in terms of the issuer's perceived ability to continue making interest payments on a timely basis and to repay principal upon maturity.*

*The use of leverage may magnify the fund's gains or losses. For derivatives with a leveraging component, adverse changes in the value or level of the underlying asset can result in a loss that is much greater than the original investment in the derivative.*

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- 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. 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, 2011 (Unaudited)

<b>Long-Term Municipal Investments—146.6%</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Arizona—7.8%</b>				
Barclays Capital Municipal Trust Receipts (Salt River Project Agricultural Improvement and Power District, Salt River Project Electric System Revenue)	5.00	1/1/38	13,198,367 <sup>a,b</sup>	13,566,449
Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue	7.00	7/1/33	6,010,000	6,329,552
Pima County Industrial Development Authority, Education Revenue (American Charter Schools Foundation Project)	5.50	7/1/26	4,000,000	3,572,880
Pima County Industrial Development Authority, IDR (Tucson Electric Power Company Project)	5.75	9/1/29	6,000,000	6,039,540
<b>California—15.2%</b>				
Barclays Capital Municipal Trust Receipts (Los Angeles Department of Airports, Senior Revenue (Los Angeles International Airport))	5.00	5/15/31	5,247,500 <sup>a,b,c</sup>	5,398,096

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Beverly Hills Unified School District, GO California, GO (Various Purpose) California, GO (Various Purpose) California, GO (Various Purpose) California, GO (Various Purpose) California, Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds Los Angeles Department of Water and Power, Power System Revenue	0.00 5.75 6.00 6.50 6.00 4.50 5.00 5.00	8/1/30 4/1/31 3/1/33 4/1/33 11/1/35 6/1/27 6/1/33 7/1/34	8,000,000 <sup>d</sup> 7,800,000 2,250,000 5,000,000 5,000,000 2,000,000 8,335,000 2,885,000	2,552,480 8,370,570 2,451,780 5,588,900 5,391,450 1,542,560 5,631,126 2,953,432
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<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>California (continued)</b>				
Sacramento City Unified School District, GO (Insured; Assured Guaranty Municipal Corp.) Sacramento County, Airport System Subordinate and Passenger Facility Charges Grant Revenue San Diego Public Facilities Financing Authority, Senior Sewer Revenue Santa Margarita/Dana Point Authority, Revenue (Santa Margarita Water District Improvement Districts	0.00 6.00 5.25	7/1/24 7/1/35 5/15/34	5,220,000 <sup>d</sup> 4,000,000 <sup>c</sup> 2,500,000	2,509,880 4,178,960 2,577,775

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Numbers 2,3 and 4)	5.13	8/1/38	5,000,000	5,086,600
Silicon Valley Tobacco Securitization Authority, Tobacco Settlement Asset-Backed Bonds (Santa Clara County Tobacco Securitization Corporation)	0.00	6/1/36	15,290,000 <sup>d</sup>	1,280,538
Tuolumne Wind Project Authority, Revenue (Tuolumne Company Project)	5.88	1/1/29	2,000,000	2,178,300
<b>Colorado—1.6%</b>				
Arkansas River Power Authority, Power Improvement Revenue Colorado Housing and Finance Authority, Single Family Program Senior and Subordinate Bonds (Collateralized; FHA)	6.13	10/1/40	5,000,000	4,969,150
<b>Connecticut—3.7%</b>				
Connecticut Development Authority, PCR (Connecticut Light and Power Company Project) Connecticut Resources Recovery Authority, Special Obligation Revenue (American REF-FUEL Company of Southeastern Connecticut Project)	5.95	9/1/28	9,000,000	9,004,950
	6.45	11/15/22	4,985,000	4,984,452

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>District of Columbia—.3%</b>				
Metropolitan Washington Airports Authority, Special Facility Revenue (Caterair International Corporation)	10.13	9/1/11	1,000,000 <sup>c</sup>	996,760
<b>Florida—5.0%</b>				



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Highlands County Health Facilities Authority, HR (Adventist Health System/Sunbelt Obligated Group)	5.00	11/15/27	3,500,000	3,523,520
Mid-Bay Bridge Authority, Springing Lien Revenue	7.25	10/1/34	5,000,000 <sup>c</sup>	5,104,150
Orange County School Board, COP (Master Lease Purchase Agreement) (Insured; Assured Guaranty Municipal Corp.)	5.50	8/1/34	4,500,000	4,620,195
Saint Johns County Industrial Development Authority, Revenue (Presbyterian Retirement Communities Project)	6.00	8/1/45	3,500,000	3,278,800
South Lake County Hospital District, Revenue (South Lake Hospital, Inc.)	6.25	4/1/39	2,500,000	2,480,175
<b>Georgia—3.7%</b>				
Atlanta, Water and Wastewater Revenue	6.00	11/1/28	4,865,000	5,294,969
Atlanta, Water and Wastewater Revenue (Insured; Assured Guaranty Municipal Corp.)	5.25	11/1/34	3,750,000	3,838,162
Augusta, Airport Revenue	5.45	1/1/31	2,500,000 <sup>c</sup>	2,173,750
Savannah Economic Development Authority, EIR (International Paper Company Project)	6.20	8/1/27	2,670,000	2,697,394
<b>Hawaii—1.2%</b>				
Hawaii Department of Budget and Finance, Special Purpose Revenue (Hawai'i Pacific Health Obligated Group)	5.63	7/1/30	2,500,000	2,402,400

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
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<b>Hawaii (continued)</b>				
Hawaii Department of Budget and Finance, Special Purpose Revenue (Hawaiian Electric Company, Inc. and Subsidiary Projects)	6.50	7/1/39	2,000,000	2,012,460
<b>Idaho—1.1%</b>				
Idaho Housing and Finance Association, SFMR (Collateralized; FNMA)	6.35	1/1/30	210,000	210,178
<b>Illinois—2.7%</b>				
Chicago, SFMR (Collateralized: FHLMC, FNMA and GNMA)	6.25	10/1/32	910,000	941,513
Illinois, GO	5.00	3/1/28	2,500,000	2,438,875
Illinois Finance Authority, Recovery Zone Facility Revenue (Navistar International Corporation Project)	6.50	10/15/40	2,000,000	2,056,280
Illinois Finance Authority, Revenue (Sherman Health Systems)	5.50	8/1/37	2,020,000	1,799,739
Railsplitter Tobacco Settlement Authority, Tobacco Settlement Revenue	6.00	6/1/28	3,000,000	3,017,910
<b>Indiana—1.2%</b>				
Indianapolis Local Public Improvement Bond Bank, Revenue (Indianapolis Airport Authority Project) (Insured; AMBAC)	5.00	1/1/36	5,000,000 <sup>C</sup>	4,586,250
<b>Iowa—4%</b>				
Tobacco Settlement Authority of Iowa, Tobacco Settlement Asset-Backed Bonds	5.60	6/1/34	2,000,000	1,606,840
<b>Kentucky—3%</b>				
Louisville/Jefferson County Metro Government, Health Facilities Revenue (Jewish Hospital and Saint Mary's HealthCare, Inc. Project)	6.13	2/1/37	1,000,000	1,000,170

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Louisiana—1.3%</b>				
Lakeshore Villages Master Community Development District, Special Assessment Revenue	5.25	7/1/17	1,987,000 <sup>e</sup>	993,500
Louisiana Local Government Environmental Facilities and Community Development Authority, Revenue (Westlake Chemical Corporation Projects)	6.75	11/1/32	4,000,000	4,122,400
<b>Maryland—0.5%</b>				
Maryland Economic Development Corporation, Senior Student Housing Revenue (University of Maryland, Baltimore Project)	5.75	10/1/33	2,550,000	1,744,965
<b>Massachusetts—12.9%</b>				
Barclays Capital Municipal Trust Receipts (Massachusetts Health and Educational Facilities Authority, Revenue (Massachusetts Institute of Technology Issue))	5.00	7/1/38	10,200,000 <sup>a,b</sup>	10,547,922
JPMorgan Chase Putters/Drivers Trust (Massachusetts, Consolidated Loan)	5.00	4/1/19	6,400,000 <sup>a,b</sup>	7,071,936
JPMorgan Chase Putters/Drivers Trust (Massachusetts Development Finance Agency, Revenue (Harvard University Issue))	5.25	2/1/34	10,000,000 <sup>a,b</sup>	10,930,500
Massachusetts Development Finance Agency, Revenue (Tufts Medical Center Issue)	7.25	1/1/32	2,500,000	2,683,625
Massachusetts Health and Educational Facilities Authority, Revenue (Civic				

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Investments Issue) (Prerefunded)	9.00	12/15/12	1,500,000 <sup>f</sup>	1,678,230
Massachusetts Health and Educational Facilities Authority, Revenue (Partners HealthCare System Issue)	5.75	7/1/32	115,000	116,050

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<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Massachusetts (continued)</b>				
Massachusetts Health and Educational Facilities Authority, Revenue (Suffolk University Issue)	6.25	7/1/30	5,000,000	5,265,100
Massachusetts Housing Finance Agency, Housing Revenue	7.00	12/1/38	5,000,000	5,465,500
Massachusetts Housing Finance Agency, SFHR	5.00	12/1/31	5,575,000	5,333,825
<b>Michigan—6.7%</b>				
Detroit, Sewage Disposal System Senior Lien Revenue (Insured; Assured Guaranty Municipal Corp.)	7.50	7/1/33	3,500,000	4,107,565
Kent Hospital Finance Authority, Revenue (Metropolitan Hospital Project)	6.00	7/1/35	2,000,000	1,800,700
Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	7,020,000	6,512,524
Royal Oak Hospital Finance Authority, HR (William Beaumont Hospital Obligated Group)	8.00	9/1/29	5,000,000	5,690,400
Wayne County Airport Authority, Airport Revenue (Detroit Metropolitan Wayne County Airport) (Insured; National Public Finance Guarantee Corp.)	5.00	12/1/34	8,260,000 <sup>c</sup>	7,231,217

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**Mississippi—1.1%**

Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project)	5.90	5/1/22	4,260,000	4,242,151
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**Nevada—1.3%**

Clark County, Passenger Facility Charge Revenue (Las Vegas-McCarran International Airport)	5.00	7/1/30	5,000,000 <sup>c</sup>	5,008,450
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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 Hampshire—3.7%</b>				
New Hampshire Business Finance Authority, PCR (Public Service Company of New Hampshire Project) (Insured; National Public Finance Guarantee Corp.)	6.00	5/1/21	2,690,000	2,705,333
New Hampshire Business Finance Authority, PCR (Public Service Company of New Hampshire Project) (Insured; National Public Finance Guarantee Corp.)	6.00	5/1/21	6,000,000	6,034,200
New Hampshire Industrial Development Authority, PCR (Connecticut Light and Power Company Project)	5.90	11/1/16	5,400,000	5,409,936
<b>New Jersey—5.2%</b>				
New Jersey Economic Development Authority, School Facilities Construction Revenue	5.50	12/15/29	5,000,000	5,270,250
New Jersey Economic Development Authority, Water Facilities Revenue (New Jersey—American Water Company, Inc. Project) Tobacco Settlement Financing	5.70	10/1/39	3,000,000	3,006,030

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Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/29	250,000	182,317
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds (Prerefunded)	7.00	6/1/13	10,095,000 <sup>f</sup>	11,394,428
<b>New Mexico—1.3%</b>				
Farmington, PCR (Public Service Company of New Mexico San Juan Project)	5.90	6/1/40	5,000,000	4,780,500
<b>New York—14.2%</b>				
Austin Trust (Port Authority of New York and New Jersey, Consolidated Bonds, 151st Series)	6.00	9/15/28	10,000,000 <sup>a,b,c</sup>	10,732,300

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<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>New York (continued)</b>				
Barclays Capital Municipal Trust Receipts (New York City Transitional Finance Authority, Future Tax Secured Revenue)	5.00	5/1/30	4,488,203 <sup>a,b</sup>	4,772,779
Barclays Capital Municipal Trust Receipts (New York City Transitional Finance Authority, Future Tax Secured Subordinate Revenue)	5.50	11/1/27	5,000,000 <sup>a,b</sup>	5,690,750
JPMorgan Chase Putters/Drivers Trust (New York City Transitional Finance Authority, Future Tax Secured Subordinate Revenue)	5.25	11/1/18	5,000,000 <sup>a,b</sup>	5,660,200
Long Island Power Authority, Electric System General Revenue	6.25	4/1/33	3,000,000	3,344,190

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Metropolitan Transportation Authority, Transportation Revenue	6.25	11/15/23	8,425,000 <sup>C</sup>	9,776,538
New York City Educational Construction Fund, Revenue	6.50	4/1/28	2,785,000	3,260,929
New York City Industrial Development Agency, Special Facility Revenue (American Airlines, Inc. John F. Kennedy International Airport Project)	7.75	8/1/31	5,000,000 <sup>C</sup>	5,104,950
New York State Dormitory Authority, Revenue (Suffolk County Judicial Facility)	9.50	4/15/14	605,000	738,741
Port Authority of New York and New Jersey, Special Project Bonds (JFK International Air Terminal LLC Project)	6.00	12/1/36	4,710,000 <sup>C</sup>	4,741,180
<b>North Carolina—3.2%</b>				
Barclays Capital Municipal Trust Receipts (North Carolina Medical Care Commission, Health Care Facilities Revenue (Duke University Health System))	5.00	6/1/42	10,000,000 <sup>a,b</sup>	10,021,600

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>North Carolina (continued)</b>				
North Carolina Housing Finance Agency, Home Ownership Revenue	5.88	7/1/31	2,040,000	2,040,857
<b>Ohio—3.0%</b>				
Butler County, Hospital Facilities Revenue (UC Health)	5.50	11/1/40	6,000,000	5,168,400
Ohio Air Quality Development Authority, Air Quality Revenue (Ohio Valley Electric				

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Corporation Project)	5.63	10/1/19	4,200,000	4,403,028
Port of Greater Cincinnati Development Authority, Tax Increment Development Revenue (Fairfax Village Red Bank Infrastructure Project)	5.63	2/1/36	2,530,000 <sup>b</sup>	1,771,936
<b>Oregon—4%</b>				
Warm Springs Reservation Confederated Tribes, Hydroelectric Revenue (Pelton Round Butte Project)	6.38	11/1/33	1,500,000	1,508,520
<b>Pennsylvania—3.0%</b>				
Delaware County Industrial Development Authority, Charter School Revenue (Chester Community Charter School Project)	6.13	8/15/40	3,500,000	3,189,095
JPMorgan Chase Putters/Drivers Trust (Geisinger Authority, Health System Revenue (Geisinger Health System))	5.13	6/1/35	3,000,000 <sup>a,b</sup>	3,024,540
Philadelphia, GO	6.50	8/1/41	4,700,000	4,990,977
<b>Rhode Island—1.5%</b>				
Rhode Island Health and Educational Building Corporation, Hospital Financing Revenue (Lifespan Obligated Group Issue) (Insured; Assured Guaranty Municipal Corp.)	7.00	5/15/39	5,000,000	5,597,750

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<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Tennessee—1.6%</b>				
Metropolitan Government of Nashville and Davidson County Health and Educational Facilities Board, Revenue (The Vanderbilt University)	5.50	10/1/29	2,500,000	2,815,275



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Metropolitan Government of Nashville and Davidson County Health and Educational Facilities Board, Revenue (The Vanderbilt University)	5.50	10/1/34	3,000,000	3,279,360
<b>Texas—22.3%</b>				
Barclays Capital Municipal Trust Receipts (Leander Independent School District, Unlimited Tax School Building Bonds (Permanent School Fund Guarantee Program))	5.00	8/15/40	9,997,299 a,b	10,381,549
Barclays Capital Municipal Trust Receipts (Texas A&M University System Board of Regents, Financing System Revenue)	5.00	5/15/39	13,160,000 a,b	13,714,168
Dallas-Fort Worth International Airport Facility Improvement Corporation, Revenue (Learjet Inc. Project)	6.15	1/1/16	3,000,000 c	2,999,610
Harris County Health Facilities Development Corporation, HR (Memorial Hermann Healthcare System)	7.25	12/1/35	9,290,000	10,254,209
Harris County Health Facilities Development Corporation, Revenue (CHRISTUS Health) (Insured; Assured Guaranty Municipal Corp.)	5.00	7/1/15	1,500,000	1,649,880
Houston, Combined Utility System First Lien Revenue (Insured; Assured Guaranty Municipal Corp.)	6.00	11/15/36	5,000,000	5,558,550

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
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**Texas (continued)**

Matagorda County Navigation District Number One, Revenue (Houston Lighting and Power Company Project) (Insured; AMBAC)	5.13	11/1/28	4,295,000	4,287,441
North Texas Tollway Authority, First Tier System Revenue (Insured; Assured Guaranty Municipal Corp.)	5.75	1/1/40	14,705,000 <sup>C</sup>	15,113,211
North Texas Tollway Authority, Second Tier System Revenue	5.75	1/1/38	6,650,000 <sup>C</sup>	6,656,849
Texas Department of Housing and Community Affairs, Home Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	12.42	7/2/24	750,000 <sup>9</sup>	884,055
Texas Department of Housing and Community Affairs, Residential Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	5.35	7/1/33	4,560,000	4,566,749
Texas Turnpike Authority, Central Texas Turnpike System Revenue (Insured; AMBAC)	5.25	8/15/42	5,375,000 <sup>C</sup>	5,019,928
Tomball Hospital Authority, Revenue (Tomball Regional Hospital)	6.00	7/1/25	4,650,000	3,945,339
<b>Virginia—4.5%</b>				
Henrico County Industrial Development Authority, Revenue (Bon Secours Health System) (Insured; Assured Guaranty Municipal Corp.)	11.11	8/23/27	7,300,000 <sup>9</sup>	8,294,844
Virginia Housing Development Authority, Commonwealth Mortgage Revenue	6.25	7/1/31	5,140,000	5,366,417

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<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Virginia (continued)</b>				
Washington County Industrial Development Authority, HR (Mountain States Health Alliance)	7.75	7/1/38	3,000,000	3,350,730
<b>Washington—1.7%</b>				
Washington Health Care Facilities Authority, Mortgage Revenue (Highline Medical Center) (Collateralized; FHA)	6.25	8/1/36	5,975,000	6,451,447
<b>West Virginia—1.9%</b>				
The County Commission of Harrison County, SWDR (Allegheny Energy Supply Company, LLC Harrison Station Project)	5.50	10/15/37	7,920,000	7,156,512
<b>Wisconsin—6.6%</b>				
Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds (Prerefunded)	7.00	6/1/12	14,570,000 <sup>f</sup>	15,550,270
Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds (Prerefunded)	6.13	6/1/27	5,260,000 <sup>f</sup>	5,444,153
Wisconsin Health and Educational Facilities Authority, Revenue (Aurora Health Care, Inc.)	6.40	4/15/33	4,000,000	4,059,360
<b>U.S. Related—5.5%</b>				
Government of Guam, GO	7.00	11/15/39	1,500,000	1,548,330
Puerto Rico Commonwealth, Public Improvement GO	5.50	7/1/32	1,500,000	1,456,215
Puerto Rico Commonwealth, Public Improvement GO	6.00	7/1/39	1,610,000	1,626,309

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>U.S. Related (continued)</b>				
Puerto Rico Commonwealth, Public Improvement GO	6.50	7/1/40	2,390,000	2,538,730
Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series)	5.38	8/1/39	2,500,000	2,441,300
Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series)	6.00	8/1/42	10,000,000	10,271,600
Virgin Islands Public Finance Authority, Revenue (Virgin Islands Matching Fund Loan Notes) (Senior Lien/Capital Projects)	5.00	10/1/39	1,250,000	1,095,938
<b>Total Long-Term Municipal Investments</b> (cost \$543,481,529)				<b>556,002,535</b>
<b>Short-Term Municipal Investments—2.7%</b>				
<b>California—1.9%</b>				
California Infrastructure and Economic Development Bank, Revenue (California Academy of Sciences, San Francisco, California) (LOC; Wells Fargo Bank)	0.10	6/1/11	4,000,000 <sup>h</sup>	4,000,000
California Infrastructure and Economic Development Bank, Revenue (California Academy of Sciences, San Francisco, California) (LOC; Wells Fargo Bank)	0.10	6/1/11	3,100,000 <sup>h</sup>	3,100,000
<b>New York—0.8%</b>				
New York City, GO Notes (LOC; JPMorgan Chase Bank)	0.11	6/1/11	1,000,000 <sup>h</sup>	1,000,000

<b>Short-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>New York (continued)</b>				
New York City, GO Notes (LOC; JPMorgan Chase Bank)	0.13	6/1/11	2,100,000 <sup>h</sup>	2,100,000
<b>Total Short-Term Municipal Investments</b> (cost \$10,200,000)				<b>10,200,000</b>
<b>Total Investments</b> (cost \$553,681,529)			<b>149.3%</b>	<b>566,202,535</b>
<b>Liabilities, Less Cash and Receivables</b>			<b>(12.5%)</b>	<b>(47,417,472)</b>
<b>Preferred Stock, at redemption value</b>			<b>(36.8%)</b>	<b>(139,500,000)</b>
<b>Net Assets Applicable to Common Shareholders</b>			<b>100.0%</b>	<b>379,285,063</b>

*a Collateral for floating rate borrowings.*

*b 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, 2011, these securities were valued at \$113,284,725 or 29.9% of net assets applicable to Common Shareholders.*

*c At May 31, 2011, the fund had \$94,822,199 or 25.0% of net assets applicable to Common Shareholders invested in securities whose payment of principal and interest is dependent upon revenues generated from transportation.*

*d Security issued with a zero coupon. Income is recognized through the accretion of discount.*

*e Non-income producing security; interest payments in default.*

*f 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.*

*g Inverse floater security—the interest rate is subject to change periodically. Rate shown is the interest rate in effect at May 31, 2011.*

*h Variable rate demand note—rate shown is the interest rate in effect at May 31, 2011. Maturity date represents the next demand date, or the ultimate maturity date if earlier.*

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Summary of Abbreviations

**ABAG** Association of Bay Area Governments      **ACA** American Capital Access

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<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>BPA</b>	Bond Purchase Agreement
<b>CIFG</b>	CDC Ixis Financial Guaranty	<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	<b>FHLB</b>	Federal Home Loan Bank
<b>FHLMC</b>	Federal Home Loan Mortgage Corporation	<b>FNMA</b>	Federal National Mortgage Association
<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>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>PUTTERS</b>	Puttable Tax-Exempt Receipts
<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

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Summary of Combined Ratings (Unaudited)

Fitch	or	Moody's	or	Standard & Poor's	Value (%) <sup>†</sup>
AAA		Aaa		AAA	21.1
AA		Aa		AA	21.1
A		A		A	27.5
BBB		Baa		BBB	21.5
BB		Ba		BB	2.3
B		B		B	1.6
F1		MIG1/P1		SP1/A1	1.8

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Not Rated <sup>i</sup>	Not Rated <sup>i</sup>	Not Rated <sup>i</sup>	3.1
			<b>100.0</b>

† Based on total investments.

*i 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

May 31, 2011 (Unaudited)

	Cost	Value
<b>Assets (\$):</b>		
Investments in securities—See Statement of Investments	553,681,529	566,202,535
Interest receivable		9,559,440
Prepaid expenses		38,480
		<b>575,800,455</b>
<b>Liabilities (\$):</b>		
Due to The Dreyfus Corporation and affiliates—Note 2 (a)		289,372
Cash overdraft due to Custodian		2,084,864
Payable for floating rate notes issued—Note 3		52,841,369
Payable for investment securities purchased		1,500,000
Interest and expense payable related to floating rate notes issued—Note 3		112,277
Commissions payable		21,545
Dividends payable to Preferred Shareholders		3,103
Accrued expenses		162,862
		<b>57,015,392</b>
<b>Auction Preferred Stock</b> , Series A, B and C, par value \$ .001 per share (5,580 shares issued and outstanding at \$25,000 per share liquidation value)—Note 1		<b>139,500,000</b>
<b>Net Assets applicable to Common Shareholders (\$)</b>		<b>379,285,063</b>
<b>Composition of Net Assets (\$):</b>		
Common Stock, par value, \$.001 per share (48,676,482 shares issued and outstanding)		48,676
Paid-in capital		428,214,642

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Accumulated undistributed investment income—net	9,461,070
Accumulated net realized gain (loss) on investments	(70,960,331)
Accumulated net unrealized appreciation (depreciation) on investments	12,521,006
<b>Net Assets applicable to Common Shareholders (\$)</b>	<b>379,285,063</b>
<b>Shares Outstanding</b>	
(110 million shares of \$.001 par value Common Stock authorized)	48,676,482
<b>Net Asset Value, per share of Common Stock (\$)</b>	<b>7.79</b>

See notes to financial statements.

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## STATEMENT OF OPERATIONS

Six Months Ended May 31, 2011 (Unaudited)

<b>Investment Income (\$):</b>	
<b>Interest Income</b>	<b>16,265,107</b>
<b>Expenses:</b>	
Investment advisory fee—Note 2(a)	1,265,901
Administration fee—Note 2(a)	632,950
Interest and expense related to floating rate notes issued—Note 3	195,735
Commission fees—Note 1	