

DREYFUS STRATEGIC MUNICIPALS INC
Form N-CSR
November 26, 2008

**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

811-5245

DREYFUS STRATEGIC MUNICIPALS, 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:

09/30

Date of reporting period:

09/30/08

FORM N-CSR

Item 1.

Reports to Stockholders.

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THE FUND

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The Fund

**Dreyfus
Strategic Municipals, Inc.**

A LETTER FROM THE CEO

Dear Shareholder:

We present this annual report for Dreyfus Strategic Municipals, Inc., covering the 12-month period from October 1, 2007, through September 30, 2008.

These are difficult times for fixed-income investors. A credit crunch that began in 2007 has developed into a full-blown global financial crisis, recently resulting in the failure of several major financial institutions and prompting a massive government rescue effort. The U.S. economic slowdown also has gathered momentum, depressing investor sentiment and consumer confidence. These factors undermined returns in most bond market sectors, including municipal bonds. Even the traditional safe haven of U.S. government securities has encountered heightened volatility. The depth and duration of the economic downturn will depend on how quickly the financial system can be stabilized. We believe that the Temporary Guarantee Program for Money Market Funds and the \$700 billion rescue package intended to promote greater liquidity in the general financial markets meet several critical requirements for addressing today's financial stresses, and we expect these measures to contribute to a more orderly deleveraging process. However, recuperation from the financial crisis is likely to take time. In the meantime, we encourage you to keep in touch with your financial advisor and maintain a long-term and disciplined perspective to investing. Indeed, we already are seeing some positive signs, including a likely peak in global inflationary pressures, a bottoming of the U.S. dollar, attractive valuations among municipal securities and a large pool of worldwide financial liquidity that could be deployed gradually as the economic cycle turns.

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.

Jonathan R. Baum
Chief Executive Officer
The Dreyfus Corporation
October 15, 2008

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DISCUSSION OF FUND PERFORMANCE

For the period of October 1, 2007, through September 30, 2008, as provided by W. Michael Petty, Portfolio Manager

Fund and Market Performance Overview

For the 12-month period ended September 30, 2008, Dreyfus Strategic Municipals achieved a total return of \square 8.17% (on a net asset value basis)¹ During the same period, the fund provided income dividends of \$0.504 per share, which is equal to a distribution rate of 7.47% .2

During the reporting period, municipal bonds encountered severe bouts of heightened volatility, primarily due to intensifying economic concerns and a global financial crisis. Lower-rated, higher-yielding securities proved particularly sensitive to these forces.

The Fund's Investment Approach

The fund's investment objective is to maximize current income exempt from federal income tax to the extent consistent with the preservation of capital. Under normal market conditions, the fund invests at least 80% of its net assets in municipal obligations. Generally, the fund invests at least 50% of its net assets in municipal bonds considered investment grade or the unrated equivalent as determined by Dreyfus in the case of bonds, and in the two highest-rating categories or the unrated equivalent as determined by Dreyfus in the case of short-term obligations having or deemed to have maturities of less than one year.

To this end, we have constructed a portfolio derived from seeking income opportunities through analysis of each bond's structure, including paying close attention to each bond's yield, maturity and early redemption features.

Over time, many of the fund's relatively higher-yielding bonds mature or may be called by their issuers, and we generally attempt to replace those bonds, as opportunities arise, with investments consistent with the fund's investment policies at prevailing current yields. When we believe an opportunity exists, we also may seek to upgrade the portfolio's

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DISCUSSION OF FUND PERFORMANCE *(continued)*

investments with newly issued bonds that, in our opinion, have better structural or income characteristics than existing holdings.

Economic and Credit Concerns Weighed on Municipal Bonds

Like many other asset classes, municipal bonds encountered heightened volatility amid a U.S. economic downturn and global financial crisis. Led by a sharp slump in home prices, the U.S. economy suffered from rising unemployment, a surge in mortgage foreclosures, and soaring food and energy costs. At the same time, a credit crunch that began before the start of the reporting period in the U.S. sub-prime mortgage market mushroomed

into a global financial crisis, resulting in financial distress among investment banks and independent municipal bond insurers, as well as ultimately freezing liquidity in the auction-rate securities market.

Highly leveraged institutional investors were forced to sell creditworthy investments, including municipal bonds, to meet margin calls and redemption requests. In addition, several major bond insurers suffered massive sub-prime related losses, causing investors to question the value of insurance on municipal bonds. The downturn in investor sentiment also led to severely curtailed liquidity conditions in the auction-rate securities sector of the municipal bond market.

These developments effectively boosted the supply of municipal bonds, causing prices to fall and yields to rise. Indeed, February and September 2008 represented two of the worst months in the history of the municipal bond market, and at times during the reporting period, absolute tax-exempt yields were significantly higher than those of comparable taxable U.S. Treasury securities.

Lower-Rated, Longer-Term Securities Suffered

The market downturn proved to be particularly damaging to prices of municipal bonds with BBB credit ratings or lower, as increasingly risk-averse investors flocked toward the traditional safe havens of money markets and highly rated government bonds. Because the fund's focus on current income relies to an extent on lower-rated securities, this development detracted from the fund's results. In addition, market weakness

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was particularly pronounced among longer-term bonds, including the fund's holdings with maturities in the 20- to 30-year range. Also hurt more than industry averages were the fund's investments in municipal bonds backed by the states' settlements of litigation with U.S. tobacco companies, which saw a surge in supply early in the reporting period amid slackening demand. Bonds carrying insurance began to trade at levels commensurate with their underlying credit quality when investors effectively disregarded third-party credit enhancements.

Finally, as to the fund's leveraging strategy, the fund issues preferred shares on which dividend rates are periodically reset through bank-managed auctions. During the reporting period, these auctions failed, leading the rate paid to preferred shareholders to be determined based on a "reference rate" as described in the fund's organizational documents. The effectiveness of the fund's leveraging strategy, however removed, remains tied to the attractiveness of the fund's leveraging costs, relative to prevailing yields.

Maintaining a Cautious Investment Posture

As of the reporting period's end, the U.S. economy has remained weak, and the financial crisis has intensified. Therefore, we intend to maintain a relatively conservative approach, including a focus on diversification and current income.

October 15, 2008

- 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. Market price per share, net asset value per share and investment return fluctuate. 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 fund expenses by The Dreyfus Corporation pursuant to an agreement in effect until October 31, 2009, at which time it may be extended, modified or terminated. 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.*

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SELECTED INFORMATION

September 30, 2008 (Unaudited)

Market Price per share September 30, 2008	\$6.75
Shares Outstanding September 30, 2008	60,766,921
New York Stock Exchange Ticker Symbol	LEO

MARKET PRICE (NEW YORK STOCK EXCHANGE)

Fiscal Year Ended September 30, 2008

	Quarter Ended December 31, 2007	Quarter Ended March 31, 2008	Quarter Ended June 30, 2008	Quarter Ended September 30, 2008
High	\$8.78	\$9.01	\$8.86	\$8.17
Low	8.05	8.29	7.85	6.57
Close	8.22	8.51	8.04	6.75

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

September 23, 1987 (commencement of operations) through September 30, 2008	194.97%
October 1, 1998 through September 30, 2008	25.26
October 1, 2003 through September 30, 2008	(1.91)
October 1, 2007 through September 30, 2008	(18.00)
January 1, 2008 through September 30, 2008	(14.09)
April 1, 2008 through September 30, 2008	(18.19)
July 1, 2008 through September 30, 2008	(14.67)

NET ASSET VALUE PER SHARE

September 23, 1987 (commencement of operations)	\$9.32
September 30, 2007	9.11
December 31, 2007	8.96
March 31, 2008	8.64
June 30, 2008	8.44
September 30, 2008	7.88

PERCENTAGE GAIN based on change in Net Asset Value*

September 23, 1987 (commencement of operations) through September 30, 2008	269.45%
October 1, 1998 through September 30, 2008	47.55
October 1, 2003 through September 30, 2008	17.53
October 1, 2007 through September 30, 2008	(8.17)
January 1, 2008 through September 30, 2008	(7.99)
April 1, 2008 through September 30, 2008	(5.93)
July 1, 2008 through September 30, 2008	(5.10)

* *With dividends reinvested.*

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STATEMENT OF INVESTMENTS

September 30, 2008

Long-Term Municipal Investments 151.9%	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Alabama 1.8%				
Houston County Health Care Authority, GO (Insured; AMBAC)	6.25	10/1/09	8,000,000 ^a	8,387,600
Alaska 8%				
Alaska Housing Finance Corporation, General Mortgage Revenue (Insured; MBIA, Inc.)	6.00	6/1/49	4,000,000	4,024,240
Arizona 3.9%				
Arizona Housing Finance Authority, SFMR (Mortgage-Backed Securities Program) (Collateralized: FHLMC, FNMA and GNMA)	5.55	12/1/41	6,000,000	5,309,520
Maricopa County Pollution Control Corporation, PCR (Public Service Company of New Mexico Palo Verde Project)	5.75	11/1/22	6,000,000	5,285,700
Navajo County Industrial Development Authority, IDR (Stone Container Corporation Project)	7.40	4/1/26	1,585,000	1,374,797
Scottsdale Industrial Development Authority, HR (Scottsdale Healthcare)	5.80	12/1/11	6,000,000 ^a	6,538,080
Arkansas 5%				
Arkansas Development Finance Authority, SFMR (Mortgage Backed Securities Program) (Collateralized: FNMA and GNMA)	6.25	1/1/32	2,370,000	2,408,038
California 8.3%				
California, GO	5.25	4/1/34	5,000	4,785
California, GO (Various Purpose) (Insured; AMBAC)	4.25	12/1/35	7,475,000	5,792,976
California Pollution Control Financing Authority, SWDR (Keller Canyon Landfill				

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Company Project)	6.88	11/1/27	2,000,000	1,873,840
California Statewide Communities Development Authority, Environmental Facilities Revenue (Microgy Holdings Project)	9.00	12/1/38	3,000,000	2,885,430

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STATEMENT OF INVESTMENTS (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
California (continued)				
California Statewide Communities Development Authority, Revenue (Bentley School)	6.75	7/1/32	1,960,000	1,821,271
California Statewide Communities Development Authority, Revenue (Daughters of Charity Health System)	5.00	7/1/39	5,000,000	3,914,050
California Statewide Communities Development Authority, Student Housing Revenue (CHF-Irvine, LLC-UCI East Campus Apartments, Phase II)	5.75	5/15/32	2,500,000	2,276,375
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	7.80	6/1/13	8,100,000 ^a	9,410,904
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	7.90	6/1/13	2,000,000 ^a	2,331,760
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/33	5,775,000	4,213,324
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	5.75	6/1/47	7,050,000	5,285,667
Colorado 4.7%				
Beacon Point Metropolitan District, GO	6.25	12/1/35	2,000,000	1,577,680
Colorado Health Facilities Authority, Revenue (American Baptist Homes of the Midwest Obligated Group)	5.90	8/1/37	3,000,000	2,395,020
Colorado Health Facilities				

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Authority, Revenue (Poudre Hospital) (Insured; FSA)	5.25	3/1/40	3,000,000	2,645,100
Colorado Housing Finance Authority (Single Family Program) (Collateralized; FHA)	6.60	8/1/32	1,565,000	1,620,088

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

	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Colorado (continued)				
Northwest Parkway Public Highway Authority, Revenue	7.13	6/15/11	10,550,000 ^a	11,680,116
Southlands Metropolitan District Number 1, GO	7.13	12/1/14	2,000,000 ^a	2,357,460
Florida 3.6%				
Florida Housing Finance Corporation, Housing Revenue (Nelson Park Apartments) (Insured; FSA)	6.40	3/1/40	12,380,000	12,379,133
Jacksonville Economic Development Commission, Health Care Facilities Revenue (Florida Proton Therapy Institute Project)	6.25	9/1/27	3,000,000 ^b	2,722,110
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/09	45,000 ^a	46,996
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/26	1,955,000	1,908,803
Georgia 2.4%				
Brooks County Development Authority, Senior Health and Housing Facilities Revenue (Presbyterian Home, Quitman, Inc.) (Collateralized; GNMA)	5.70	1/20/39	4,445,000	4,417,930
Fulton County Development Authority, Revenue (Georgia Tech North Avenue Apartments Project) (Insured; XLCA)	5.00	6/1/32	2,500,000	2,298,275
Milledgeville-Baldwin County Development Authority, Revenue (Georgia College and State Foundation)	6.00	9/1/13	2,090,000	2,326,985
Milledgeville-Baldwin County				

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Development Authority, Revenue (Georgia College and State Foundation)	6.00	9/1/14	2,000,000 ^a	2,261,760
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STATEMENT OF INVESTMENTS (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Hawaii 4.4%				
Hawaii Department of Transportation, Special Facility Revenue (Caterair International Corporation)	10.13	12/1/10	1,800,000	1,766,718
Idaho 1.0%				
Power County Industrial Development Corporation, SWDR (FMC Corporation Project)	6.45	8/1/32	5,000,000	4,677,250
Illinois 11.8%				
Chicago (Insured; FGIC)	6.13	7/1/10	14,565,000 ^a	15,586,735
Chicago, SFMR (Collateralized: FHLMC, FNMA and GNMA)	6.55	4/1/33	2,240,000	2,266,342
Chicago, Wastewater Transmission Revenue (Insured; MBIA, Inc.)	6.00	1/1/10	3,000,000 ^a	3,160,140
Chicago O'Hare International Airport, Special Facility Revenue (American Airlines, Inc. Project)	5.50	12/1/30	5,000,000	2,560,500
Illinois Educational Facilities Authority, Revenue (Northwestern University)	5.00	12/1/38	8,000,000	7,446,960
Illinois Finance Authority, Revenue (Edward Hospital Obligated Group) (Insured; AMBAC)	5.50	2/1/40	3,500,000	3,131,940
Illinois Health Facilities Authority, Revenue (Advocate Health Care Network)	6.13	11/15/10	4,020,000 ^a	4,304,938
Illinois Health Facilities Authority, Revenue (OSF Healthcare System)	6.25	11/15/09	7,730,000 ^a	8,124,075
Illinois Health Facilities Authority, Revenue (Swedish American Hospital)	6.88	5/15/10	4,950,000 ^a	5,275,760

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Metropolitan Pier and Exposition Authority, State Tax Revenue (McCormick Place Expansion Project) (Insured; MBIA, Inc.)	5.25	6/15/42	5,325,000	5,151,458
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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Indiana 2.3%				
Franklin Township School Building Corporation, First Mortgage Bonds	6.13	7/15/10	6,500,000 ^a	7,028,710
Petersburg, SWDR (Indianapolis Power and Light Company Project)	6.38	11/1/29	4,150,000	3,891,995
Kansas 5.5%				
Kansas Development Finance Authority, Health Facilities Revenue (Sisters of Charity of Leavenworth Health Services Corporation)	6.25	12/1/28	3,000,000	3,023,010
Sedgwick and Shawnee Counties, SFMR (Mortgage-Backed Securities Program)	6.30	12/1/32	3,705,000	3,739,419
(Collateralized: FNMA and GNMA)				
Sedgwick and Shawnee Counties, SFMR (Mortgage-Backed Securities Program)	6.45	12/1/33	7,470,000	7,502,270
(Collateralized: FNMA and GNMA)				
Sedgwick and Shawnee Counties, SFMR (Mortgage-Backed Securities Program)	5.70	12/1/35	2,005,000	2,032,930
(Collateralized: FNMA and GNMA)				
Wichita, Hospital Facilities Improvement Revenue (Via Christi Health System, Inc.)	6.25	11/15/24	10,000,000	10,001,900
Kentucky 8%				
Kentucky Area Development Districts Financing Trust, COP (Lease Acquisition Program)	5.50	5/1/27	2,000,000	1,841,900
Louisville/Jefferson County Metro Government, Health Facilities Revenue (Jewish Hospital and Saint Mary's Healthcare, Inc. Project)	6.13	2/1/37	2,000,000	1,944,820

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Louisiana 1.8%

Lakeshore Villages Master

Community Development District,
Special Assessment Revenue

5.25 7/1/17 2,979,000 2,592,385

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STATEMENT OF INVESTMENTS (continued)

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

Coupon Maturity Principal
Rate (%) Date Amount (\$) Value (\$)

Louisiana (continued)

Louisiana Local Government

Environmental Facilities and
Community Development
Authority, Revenue (Westlake
Chemical Corporation Projects)

6.75 11/1/32 7,000,000 6,159,020

Maine .6%

Maine Housing Authority,

Mortgage Purchase

5.30 11/15/23 2,825,000 2,781,523

Maryland 2.0%

Maryland Community Development

Administration, Department of
Housing and Community
Development, Residential Revenue

5.75 9/1/37 2,330,000 2,306,537

Maryland Economic Development

Corporation, Senior Student
Housing Revenue (University of
Maryland, Baltimore Project)

5.75 10/1/33 4,590,000 3,650,014

Maryland Economic Development

Corporation, Student Housing
Revenue (University of
Maryland, College Park Project)

6.50 6/1/13 3,000,000 ^a 3,396,150

Massachusetts 1.6%

Massachusetts Health and Educational

Facilities Authority, Revenue
(Civic Investments Issue)

9.00 12/15/12 1,700,000 ^a 2,004,368

Massachusetts Health and

Educational Facilities
Authority, Revenue (Partners
HealthCare System Issue)

5.75 7/1/32 185,000 183,442

Massachusetts Industrial Finance

Agency, RRR (Ogden
Haverhill Project)

5.60 12/1/19 6,000,000 5,693,820

Michigan 7.5%

Charyl Stockwell Academy,

COP

5.90 10/1/35 2,580,000 2,102,442

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Detroit School District, School Building and Site Improvement Bonds (GO Unlimited Tax) (Insured; FGIC)	5.00	5/1/28	6,930,000	6,446,632
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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Michigan (continued)				
Kent Hospital Finance Authority, Revenue (Metropolitan Hospital Project)	6.00	7/1/35	5,930,000	5,121,089
Kent Hospital Finance Authority, Revenue (Metropolitan Hospital Project)	6.25	7/1/40	3,000,000	2,689,950
Michigan Hospital Finance Authority, Revenue (Ascension Health Credit Group)	6.13	11/15/09	5,000,000 ^a	5,252,600
Michigan Strategic Fund, LOR (The Detroit Edison Company Exempt Facilities Project) (Insured; XLCA)	5.25	12/15/32	3,000,000	2,510,310
Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	12,900,000	11,923,470
Minnesota 5.9%				
Dakota County Community Development Agency, SFMR (Mortgage-Backed Securities Program) (Collateralized: FHLMC, FNMA and GNMA)	5.15	12/1/38	2,423,296	2,265,321
Dakota County Community Development Agency, SFMR (Mortgage-Backed Securities Program) (Collateralized: FHLMC, FNMA and GNMA)	5.30	12/1/39	2,685,726	2,419,517
Duluth Economic Development Authority, Health Care Facilities Revenue (Saint Luke's Hospital)	7.25	6/15/32	5,000,000	5,114,200
North Oaks, Senior Housing Revenue (Presbyterian Homes of North Oaks, Inc. Project)	6.25	10/1/47	5,265,000	4,752,242
Saint Paul Housing and				

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Redevelopment Authority, Hospital Facility Revenue (HealthEast Project)	6.00	11/15/25	2,000,000	1,887,580
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STATEMENT OF INVESTMENTS *(continued)*

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Minnesota (continued)				
Saint Paul Housing and Redevelopment Authority, Hospital Facility Revenue (HealthEast Project)	6.00	11/15/30	5,500,000	5,173,025
Saint Paul Housing and Redevelopment Authority, Hospital Facility Revenue (HealthEast Project)	6.00	11/15/35	2,000,000	1,853,980
Winona, Health Care Facilities Revenue (Winona Health Obligated Group)	6.00	7/1/26	5,000,000	4,819,800
Mississippi 4.6%				
Claiborne County, PCR (System Energy Resources, Inc. Project)	6.20	2/1/26	4,545,000	4,152,857
Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project)	5.88	4/1/22	14,310,000	13,211,851
Warren County, Gulf Opportunity Zone Revenue (International Paper Company Projects)	6.50	9/1/32	5,000,000	4,581,800
Missouri 3.1%				
Missouri Development Finance Board, Infrastructure Facilities Revenue (Branson Landing Project)	5.38	12/1/27	2,000,000	1,746,300
Missouri Development Finance Board, Infrastructure Facilities Revenue (Branson Landing Project)	5.50	12/1/32	4,500,000	3,917,880
Missouri Development Finance Board, Infrastructure Facilities Revenue (Independence, Crackerneck Creek Project)	5.00	3/1/28	2,000,000	1,776,520
Missouri Health and Educational				

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Facilities Authority, Health Facilities Revenue (Saint Anthony's Medical Center)	6.25	12/1/10	6,750,000 ^a	7,312,140
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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Montana 3.3%				
Montana Board of Housing, SFMR	6.45	6/1/29	1,200,000	1,220,328
Nevada 2.6%				
Washoe County, GO Convention Center Revenue (Reno-Sparks Convention and Visitors Authority) (Insured; FSA)	6.40	1/1/10	12,000,000 ^a	12,572,280
New Hampshire 2.8%				
New Hampshire Business Finance Authority, PCR (Public Service Company of New Hampshire) (Insured; AMBAC)	6.00	5/1/21	7,000,000	6,613,950
New Hampshire Health and Educational Facilities Authority, Revenue (Exeter Project)	6.00	10/1/24	1,000,000	1,002,560
New Hampshire Health and Educational Facilities Authority, Revenue (Exeter Project)	5.75	10/1/31	1,000,000	938,260
New Hampshire Industrial Development Authority, PCR (Connecticut Light and Power Company Project)	5.90	11/1/16	5,000,000	5,059,900
New Jersey 3.5%				
New Jersey Economic Development Authority, Cigarette Tax Revenue	5.75	6/15/34	5,500,000	4,686,440
New Jersey Economic Development Authority, School Facilities Construction Revenue (Insured; AMBAC)	5.00	9/1/37	1,235,000	1,154,503
New Jersey Higher Education Student Assistance Authority, Student Loan Revenue (Insured; Assured Guaranty)	6.13	6/1/30	5,000,000	4,645,800
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement				

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Asset-Backed Bonds	7.00	6/1/13	5,640,000 ^a	6,437,552
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STATEMENT OF INVESTMENTS (continued)

Long-Term Municipal Investments (continued)

	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
New Mexico 1.3%				
Farmington,				
PCR (Tucson Electric Power Company San Juan Project)	6.95	10/1/20	4,000,000	4,008,760
New Mexico Mortgage Finance Authority, Single Family Mortgage Program Revenue (Collateralized: FHLMC, FNMA and GNMA)				
	7.00	9/1/31	1,070,000	1,078,378
New Mexico Mortgage Finance Authority, Single Family Mortgage Program Revenue (Collateralized: FHLMC, FNMA and GNMA)				
	6.15	7/1/35	1,260,000	1,290,668
New York 3.3%				
New York City Industrial Development Agency, Liberty Revenue (7 World Trade Center Project)				
	6.25	3/1/15	3,275,000	3,274,804
New York City Industrial Development Agency, Special Facility Revenue (American Airlines, Inc. John F. Kennedy International Airport Project)				
	8.00	8/1/28	2,800,000	2,436,364
Tobacco Settlement Financing Corporation of New York, Asset-Backed Revenue Bonds (State Contingency Contract Secured) (Insured; AMBAC)				
	5.25	6/1/21	5,000,000	4,963,100
Triborough Bridge and Tunnel Authority, Revenue				
	5.25	11/15/30	5,220,000	5,066,793
North Carolina 2.7%				
North Carolina Housing Finance Agency, Home Ownership Revenue				
	5.88	7/1/31	3,445,000	3,229,412
University of North Carolina Board of Governors of the University of North Carolina at Chapel Hill, General Revenue				
	5.00	12/1/34	10,000,000	9,563,600
North Dakota 0.1%				
North Dakota Housing Finance				

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Agency, Home Mortgage Revenue (Housing Finance Program)	6.15	7/1/31	410,000	416,187
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**Long-Term Municipal
Investments (continued)**

	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Ohio 6.3%				
Buckeye Tobacco Settlement Financing Authority, Tobacco Settlement Asset-Backed Bonds	6.50	6/1/47	20,000,000	16,308,400
Canal Winchester Local School District, School Facilities Construction and Improvement and Advance Refunding Bonds (GO Unlimited Tax) (Insured; MBIA, Inc.)	0.00	12/1/29	3,955,000 ^c	1,140,780
Canal Winchester Local School District, School Facilities Construction and Improvement and Advance Refunding Bonds (GO Unlimited Tax) (Insured; MBIA, Inc.)	0.00	12/1/31	3,955,000 ^c	1,006,192
Cuyahoga County, Revenue	6.00	1/1/32	750,000	757,620
Ohio, SWDR (USG Corporation Project)	5.60	8/1/32	7,555,000	5,109,673
Port of Greater Cincinnati Development Authority, Tax Increment Development Revenue (Fairfax Village Red Bank Infrastructure Project)	5.63	2/1/36	3,000,000	2,390,520
Toledo Lucas County Port Authority, Airport Revenue (Baxter Global Project)	6.25	11/1/13	3,500,000	3,324,580
Oklahoma 3.0%				
Oklahoma Housing Finance Agency, SFMR (Homeownership Loan Program)	7.55	9/1/28	940,000	948,883
Oklahoma Housing Finance Agency, SFMR (Homeownership Loan Program) (Collateralized: FNMA and GNMA)	7.55	9/1/27	655,000	666,102
Oklahoma Industries Authority, Health System Revenue				

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(Obligated Group)				
(Insured; MBIA, Inc.)	5.75	8/15/09	5,160,000 ^a	5,360,105

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STATEMENT OF INVESTMENTS (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Oklahoma (continued)				
Oklahoma Industries Authority, Health System Revenue (Obligated Group) (Insured; MBIA, Inc.)	5.75	8/15/09	7,070,000 ^a	7,344,175
Pennsylvania 2.2%				
Pennsylvania Economic Development Financing Authority, Exempt Facilities Revenue (Reliant Energy Seward, LLC Project)	6.75	12/1/36	2,500,000	2,202,075
Pennsylvania Economic Development Financing Authority, SWDR (USG Corporation Project)	6.00	6/1/31	8,310,000	6,461,025
Philadelphia Authority for Industrial Development, Revenue (Please Touch Museum Project)	5.25	9/1/31	2,500,000	2,033,225
South Carolina 2.0%				
Greenville County School District, Installment Purchase Revenue (Building Equity Sooner for Tomorrow)	5.50	12/1/12	8,825,000 ^a	9,658,609
Tennessee 5.3%				
Johnson City Health and Educational Facilities Board, Hospital First Mortgage Revenue (Mountain States Health Alliance)	7.50	7/1/12	5,000,000 ^a	5,849,300
Johnson City Health and Educational Facilities Board, Hospital First Mortgage Revenue (Mountain States Health Alliance)	7.50	7/1/12	3,000,000 ^a	3,509,580
Knox County Health, Educational and Housing Facility Board, Revenue (University Health System, Inc.)	5.25	4/1/36	9,300,000	7,778,055
Memphis Center City Revenue Finance Corporation, Sports Facility				

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Revenue (Memphis Redbirds Baseball Foundation Project)	6.50	9/1/28	10,000,000	8,093,500
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**Long-Term Municipal
Investments (continued)**

	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Texas 21.0%				
Austin Convention Enterprises Inc., Convention Center Hotel First Tier Revenue	6.70	1/1/11	4,000,000 ^a	4,332,120
Austin Convention Enterprises, Inc., Convention Center Hotel Second Tier Revenue	5.75	1/1/34	3,000,000	2,462,670
Brazos River Authority, PCR (TXU Electric Company Project)	8.25	5/1/33	7,000,000	6,770,960
Cities of Dallas and Fort Worth, Dallas/Fort Worth International Airport, Facility Improvement Corporation Revenue (American Airlines, Inc.)	6.38	5/1/35	10,630,000	5,523,561
Cities of Dallas and Fort Worth, Dallas/Fort Worth International Airport, Joint Revenue (Insured; MBIA, Inc.)	6.25	11/1/28	3,000,000	2,888,700
Gulf Coast Industrial Development Authority, Environmental Facilities Revenue (Microgy Holdings Project)	7.00	12/1/36	6,000,000	4,702,500
Harris County Health Facilities Development Corporation, HR (Memorial Hermann Healthcare System)	6.38	6/1/11	8,500,000 ^a	9,283,020
Houston, Airport System Special Facilities Revenue (Continental Airlines, Inc. Terminal E Project)	6.75	7/1/29	5,125,000	4,175,747
Houston, Airport System Special Facilities Revenue (Continental Airlines, Inc. Terminal E Project)	7.00	7/1/29	3,800,000	3,186,756
North Texas Tollway Authority,				

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First Tier System Revenue	5.75	1/1/40	20,000,000	18,477,400
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STATEMENT OF INVESTMENTS (continued)

Long-Term Municipal Investments (continued)

	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Texas (continued)				
North Texas Tollway Authority, Second Tier System Revenue	5.75	1/1/38	5,500,000	4,982,340
Sabine River Authority, PCR (TXU Electric Company Project)	6.45	6/1/21	11,300,000	9,331,653
Sam Rayburn Municipal Power Agency, Power Supply System Revenue	5.75	10/1/21	6,000,000	5,740,740
Texas Affordable Housing Corporation, SFMR (Collateralized: FHLMC, FNMA and GNMA)	5.85	4/1/41	6,975,000	6,705,765
Texas Department of Housing and Community Affairs, Home Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	10.48	7/2/24	850,000 ^d	891,846
Texas Turnpike Authority, Central Texas Turnpike System Revenue (Insured; AMBAC)	5.75	8/15/38	7,100,000	6,911,850
Tyler Health Facilities Development Corporation, HR, Refunding and Improvement Bonds (East Texas Medical Center Regional Healthcare System Project)	5.25	11/1/32	5,500,000	4,397,580

Vermont .2%