

DREYFUS STRATEGIC MUNICIPALS INC  
Form N-CSR  
November 29, 2010

**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: 9/30

Date of reporting period: 09/30/10

**FORM N-CSR**

**Item 1. Reports to Stockholders.**

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# Dreyfus Strategic Municipals, Inc.

**ANNUAL REPORT** September 30, 2010

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## **Dreyfus Strategic Municipals, 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.

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Dreyfus  
Strategic Municipals, Inc.

# The Fund

## A LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholder:

This annual report for Dreyfus Strategic Municipals, Inc. covers the 12-month period from October 1, 2009, through September 30, 2010.

Although a double-dip recession remains an unlikely scenario in our analysis, recent uncertainty regarding the breadth and strength of the U.S. and global economic recoveries has led to bouts of weakness in a number of asset classes. Municipal bonds have been a notable exception, gaining value during the reporting period amid robust demand from investors seeking tax-free income from a relatively scarce supply of securities in a low interest-rate environment.

Uncertainty will probably remain in the broader financial markets until we see a sustained improvement in economic growth, but the favorable influences underlying the municipal bond market's advance could persist for some time to come. A declining supply of newly issued tax-exempt securities, the possibility of higher federal income tax rates and low current yields among comparable-term taxable bonds could continue to support municipal bond prices. During these market conditions, we suggest that you meet with your financial advisor regularly to review your investments in today's slow-growth economic environment, as well as your income needs and future investment goals relative to your specific

risk profile.

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.

Thank you for your continued confidence and support.

Jonathan R. Baum  
Chairman and Chief Executive Officer  
The Dreyfus Corporation  
October 15, 2010

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## DISCUSSION OF FUND PERFORMANCE

*For the period of October 1, 2009, through September 30, 2010, as provided by James Welch, Portfolio Manager*

### Fund and Market Performance Overview

For the 12-month period ended September 30, 2010, Dreyfus Strategic Municipals achieved a total return of 9.38% on a net-asset-value basis.<sup>1</sup> Over the same period, the fund provided aggregate income dividends of \$0.574 per share, which reflects a distribution rate of 6.36%.<sup>2</sup>

Despite a subpar economic recovery and elevated fiscal pressures affecting many state and local governments, municipal bonds generally rallied during the reporting period amid robust demand for a limited supply of securities.

### 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, portfolio construction focuses on income opportunities, through analysis of each bond's structure, including paying close attention to each bond's yield, maturity and early redemption features. When making new investments, we focus on identifying undervalued sectors and securities, and we minimize the use of interest rate forecasting. We select municipal bonds by using fundamental credit analysis to estimate the relative value and attractiveness of various sectors and securities and to exploit pricing inefficiencies in the municipal bond market. We actively trade among various sectors, such as escrowed, general obligation and revenue, based on their apparent relative values.

### The Fund 3

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DISCUSSION OF FUND PERFORMANCE *(continued)*

Supply-and-Demand Factors Supported Municipal Bonds

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The U.S. economy has continued to recover from the recession, but the pace of the expansion has been slower than historical averages. In addition, during the spring and summer of 2010, investors responded cautiously to new economic concerns stemming from a sovereign debt crisis in Europe and inflationary pressures in China. Meanwhile, most states have continued to struggle with declining tax revenues and intensifying demand for services. In light of these challenges, the Federal Reserve Board left short-term interest rates unchanged in a historically low range between 0.00% and 0.25%.

Still, municipal bonds generally gained value during the reporting period as a result of favorable supply-and-demand dynamics. Issuance of new tax-exempt bonds moderated significantly due to the Build America Bonds program, which shifted a substantial portion of new issuance to the taxable bond market. At the same time, demand for municipal bonds intensified as investors sought shelter from potential income tax increases. Consequently, municipal bonds generally outperformed comparable U.S. government securities.

### Security Selection Strategy Boosted Fund Returns

In this environment, the fund benefited from its focus on long-term municipal bonds, where yield differences were relatively steep and the impact of supply-and-demand factors proved particularly favorable. The fund also received positive contributions to relative performance from lower-rated bonds issued to finance health care and airline facilities, as well as municipal securities backed by the states' settlement of litigation with U.S. tobacco companies.

In light of the subpar economic recovery and tighter credit spreads, we gradually reduced the fund's exposure to riskier market sectors and the triple-B credit-rating tier. Our move toward higher-quality securities included purchases of single-A bonds backed by revenues from hospitals and airport facilities. We also increased the fund's positions in bonds for which the money for early redemption has been set aside in escrow. Although these high-quality bonds produced positive absolute returns during the reporting period, they detracted from relative performance when investors continued to prefer more speculative investments.

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Finally, the fund has benefited from continuing to call for partial redemption of its auction rate preferred securities at par value, and in replacing that leverage through the use of tender option bonds. To date, the fund has redeemed and/or called for redemption an aggregate of \$49.25 million of its auction rate shares through year end.

### Supply-and-Demand Factors May Remain Favorable

Many states have continued to face severe fiscal pressures, but we do not currently expect a return to recessionary conditions. Still, we are aware that higher yielding municipal bonds already have rallied strongly, suggesting to us that the bulk of their gains for the current cycle probably are behind us. Therefore, we have intensified the fund's focus on higher-quality bonds.

We currently remain optimistic for the longer term. We currently anticipate a more ample supply of newly issued bonds when the Build America Bonds program either ends or is renewed with lower federal subsidies at the end of this year. In the meantime, in our view demand seems likely to stay robust if investors grow increasingly concerned regarding potential income tax increases.

October 15, 2010

*Bond funds are subject generally to interest rate, credit, liquidity and market risks, to varying degrees. 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.*

1 Total return includes reinvestment of dividends and any capital gains paid, based upon net asset

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*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 November 30, 2010, 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, adjusted for any capital gain distributions.*

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### SELECTED INFORMATION

September 30, 2010 (Unaudited)

|   |            |
|---|------------|
| Market Price per share September 30, 2010 | \$9.02     |
| Shares Outstanding September 30, 2010     | 61,111,892 |
| New York Stock Exchange Ticker Symbol     | LEO        |

### MARKET PRICE (NEW YORK STOCK EXCHANGE)

|       | Fiscal Year Ended September 30, 2010 |                         |                        |                             |
|-------|--------------------------------------|-------------------------|------------------------|-----------------------------|
|       | Quarter                              | Quarter                 | Quarter                | Quarter                     |
|       | Ended<br>December 31, 2009           | Ended<br>March 31, 2010 | Ended<br>June 30, 2010 | Ended<br>September 30, 2010 |
| High  | \$8.10                               | \$8.72                  | \$8.60                 | \$9.21                      |
| Low   | 7.40                                 | 8.10                    | 8.30                   | 8.39                        |
| Close | 8.07                                 | 8.50                    | 8.57                   | 9.02                        |

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

|   |         |
|---|---------|
| September 23, 1987 (commencement of operations)<br>through September 30, 2010 | 354.11% |
| October 1, 2000 through September 30, 2010                                    | 103.80  |
| October 1, 2005 through September 30, 2010                                    | 39.15   |
| October 1, 2009 through September 30, 2010                                    | 22.13   |
| January 1, 2010 through September 30, 2010                                    | 17.76   |

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|  |      |
|--|------|
| April 1, 2010 through September 30, 2010 | 9.87 |
| July 1, 2010 through September 30, 2010  | 7.08 |

**NET ASSET VALUE PER SHARE**

|   |        |
|---|--------|
| September 23, 1987 (commencement of operations) | \$9.32 |
| September 30, 2009                              | 8.47   |
| December 31, 2009                               | 8.26   |
| March 31, 2010                                  | 8.30   |
| June 30, 2010                                   | 8.37   |
| September 30, 2010                              | 8.65   |

**PERCENTAGE GAIN** based on change in Net Asset Value\*

|   |         |
|---|---------|
| September 23, 1987 (commencement of operations) |         |
| through September 30, 2009                      | 367.22% |
| October 1, 2000 through September 30, 2010      | 78.61   |
| October 1, 2005 through September 30, 2010      | 26.19   |
| October 1, 2009 through September 30, 2010      | 9.38    |
| January 1, 2010 through September 30, 2010      | 10.33   |
| April 1, 2010 through September 30, 2010        | 7.91    |
| July 1, 2010 through September 30, 2010         | 5.15    |

\* *With dividends reinvested.*

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**STATEMENT OF INVESTMENTS**

September 30, 2010

| <b>Long-Term Municipal</b>  | Coupon   | Maturity | Principal   |            |
|---|----------|----------|-------------|------------|
| <b>Investments 149.8%</b>   | Rate (%) | Date     | Amount (\$) | Value (\$) |
| <b>Arizona 6.2%</b>   |          |          |             |            |
| Arizona Housing Finance Authority,<br>SFMR (Mortgage-Backed<br>Securities Program)<br>(Collateralized: FHLMC, |          |          |             |            |



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|  |      |         |                           |            |
|--|------|---------|---------------------------|------------|
| FNMA and GNMA)   | 5.55 | 12/1/41 | 5,565,000                 | 5,836,015  |
| Barclays Capital Municipal Trust<br>Receipts (Salt River Project<br>Agricultural Improvement and<br>Power District, Salt River<br>Project Electric System Revenue) | 5.00 | 1/1/38  | 17,210,000 <sup>a,b</sup> | 18,411,602 |
| Glendale Western Loop 101 Public<br>Facilities Corporation, Third<br>Lien Excise Tax Revenue   | 6.25 | 7/1/38  | 5,000,000                 | 5,298,100  |
| Pima County Industrial Development<br>Authority, Education Revenue<br>(American Charter Schools<br>Foundation Project)   | 5.63 | 7/1/38  | 3,410,000                 | 3,375,627  |
| <b>California 18.8%</b><br>Beverly Hills Unified School<br>District, GO  | 0.00 | 8/1/30  | 10,850,000 <sup>c</sup>   | 4,129,293  |
| California,<br>GO (Various Purpose)  | 5.75 | 4/1/31  | 10,800,000                | 11,933,784 |
| California,<br>GO (Various Purpose)  | 6.50 | 4/1/33  | 10,000,000                | 11,775,100 |
| California,<br>GO (Various Purpose)  | 6.00 | 11/1/35 | 7,500,000                 | 8,405,400  |
| California Statewide Communities<br>Development Authority, Revenue<br>(Bentley School)   | 7.00 | 7/1/40  | 2,090,000                 | 1,805,614  |
| California Statewide Communities<br>Development Authority, Revenue<br>(Bentley School)   | 0.00 | 7/1/50  | 6,225,000 <sup>c</sup>    | 175,607    |
| California Statewide Communities<br>Development Authority, Revenue<br>(Daughters of Charity<br>Health System)  | 5.25 | 7/1/30  | 3,000,000                 | 2,793,840  |
| California Statewide Communities<br>Development Authority,<br>Revenue (Daughters of<br>Charity Health System)  | 5.00 | 7/1/39  | 5,000,000                 | 4,210,750  |

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STATEMENT OF INVESTMENTS (continued)

| <b>Long-Term Municipal Investments (continued)</b>   | Coupon Rate (%) | Maturity Date | Principal Amount (\$)  | Value (\$) |
|--|-----------------|---------------|------------------------|------------|
| <b>California (continued)</b>  |                 |               |                        |            |
| 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              | 2,627,200  |
| Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds   | 4.50            | 6/1/27        | 4,975,000              | 4,456,306  |
| Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds   | 5.00            | 6/1/33        | 12,275,000             | 9,690,621  |
| Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds (Prerefunded)   | 7.80            | 6/1/13        | 8,100,000 <sup>d</sup> | 9,628,389  |
| Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds (Prerefunded)   | 7.90            | 6/1/13        | 2,000,000 <sup>d</sup> | 2,382,440  |
| Sacramento County, Airport System Subordinate and Passenger Facility Charges Grant Revenue   | 6.00            | 7/1/35        | 6,250,000              | 6,853,063  |
| San Diego Public Facilities Financing Authority, Senior Sewer Revenue  | 5.25            | 5/15/34       | 2,500,000              | 2,727,850  |
| San Francisco City and County Public Utilities Commission, San Francisco Water Revenue Tobacco Securitization Authority of Southern California, Tobacco Settlement | 5.00            | 11/1/29       | 5,000,000              | 5,581,350  |

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|  |      |        |           |           |
|--|------|--------|-----------|-----------|
| Asset-Backed Bonds (San Diego County Tobacco Asset Securitization Corporation) | 5.00 | 6/1/37 | 7,300,000 | 5,654,872 |
|--|------|--------|-----------|-----------|

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| <b>Long-Term Municipal Investments (continued)</b>   | Coupon Rate (%) | Maturity Date | Principal Amount (\$)  | Value (\$) |
|--|-----------------|---------------|------------------------|------------|
| <b>California (continued)</b>  |                 |               |                        |            |
| Tuolumne Wind Project Authority, Revenue (Tuolumne Company Project)  | 5.88            | 1/1/29        | 3,500,000              | 3,971,660  |
| <b>Colorado 2.6%</b>   |                 |               |                        |            |
| Arkansas River Power Authority, Power Improvement Revenue (Insured; XLCA)  | 5.25            | 10/1/40       | 3,975,000              | 3,936,442  |
| Beacon Point Metropolitan District, GO   | 6.25            | 12/1/35       | 2,000,000              | 1,884,080  |
| Colorado Educational and Cultural Facilities Authority, Charter School Revenue (American Academy Project)        | 8.00            | 12/1/40       | 3,500,000              | 4,248,825  |
| Colorado Housing and Finance Authority, Single Family Program Senior and Subordinate Bonds (Collateralized; FHA) | 6.60            | 8/1/32        | 1,120,000              | 1,211,728  |
| Southlands Metropolitan District Number 1, GO (Prerefunded)  | 7.13            | 12/1/14       | 2,000,000 <sup>d</sup> | 2,493,040  |
| <b>Florida 6.6%</b>  |                 |               |                        |            |
| Clearwater, Water and Sewer Revenue  | 5.25            | 12/1/39       | 5,000,000              | 5,392,300  |
| Greater Orlando Aviation Authority, Airport Facilities Revenue   | 6.25            | 10/1/20       | 8,000,000              | 9,470,560  |
| Miami-Dade County, Aviation Revenue  | 5.00            | 10/1/41       | 6,500,000              | 6,553,495  |
| Orange County School Board, COP (Master Lease Purchase Agreement) (Insured; Assured Guaranty Municipal Corp.)    | 5.50            | 8/1/34        | 6,000,000              | 6,558,900  |

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|   |      |         |           |           |
|---|------|---------|-----------|-----------|
| Saint Johns County Industrial<br>Development Authority, Revenue<br>(Presbyterian Retirement<br>Communities Project) | 6.00 | 8/1/45  | 6,500,000 | 6,728,800 |
| <b>Georgia 7.6%</b>   |      |         |           |           |
| Atlanta,<br>Water and Wastewater Revenue  | 6.00 | 11/1/27 | 6,000,000 | 6,845,040 |

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STATEMENT OF INVESTMENTS (continued)

| <b>Long-Term Municipal<br/>Investments (continued)</b>   | Coupon<br>Rate (%) | Maturity<br>Date | Principal<br>Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------|
| <b>Georgia (continued)</b>   |                    |                  |                          |            |
| Atlanta,<br>Water and Wastewater Revenue<br>(Insured; Assured Guaranty<br>Municipal Corp.)   | 5.25               | 11/1/34          | 6,000,000                | 6,401,520  |
| Brooks County Development<br>Authority, Senior Health and<br>Housing Facilities Revenue<br>(Presbyterian Home, Quitman, Inc.)<br>(Collateralized; GNMA)    | 5.70               | 1/20/39          | 4,445,000                | 4,715,834  |
| DeKalb County Hospital Authority,<br>RAC (DeKalb Medical<br>Center, Inc. Project)  | 6.13               | 9/1/40           | 7,765,000                | 8,053,703  |
| Fulton County Development<br>Authority, Revenue (Georgia<br>Tech North Avenue Apartments<br>Project) (Insured; XLCA)                                       | 5.00               | 6/1/32           | 2,500,000                | 2,632,975  |
| Georgia Higher Education<br>Facilities Authority, Revenue<br>(USG Real Estate Foundation I,<br>LLC Project) (Insured; Assured<br>Guaranty Municipal Corp.) | 5.63               | 6/15/38          | 6,000,000                | 6,477,660  |
| Milledgeville-Baldwin County<br>Development Authority,<br>Revenue (Georgia College   |                    |                  |                          |            |

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|   |       |         |                        |           |
|---|-------|---------|------------------------|-----------|
| and State Foundation)   | 6.00  | 9/1/13  | 2,090,000              | 2,412,696 |
| Milledgeville-Baldwin County<br>Development Authority, Revenue<br>(Georgia College and State<br>Foundation) (Prerefunded) | 6.00  | 9/1/14  | 2,000,000 <sup>d</sup> | 2,419,100 |
| <b>Hawaii 2.7%</b>  |       |         |                        |           |
| Hawaii,<br>Airports System Revenue  | 5.25  | 7/1/26  | 3,500,000              | 3,928,365 |
| Hawaii Department of Budget and<br>Finance, Special Purpose<br>Revenue (Hawai i Pacific<br>Health Obligated Group)        | 5.75  | 7/1/40  | 8,965,000              | 9,372,549 |
| Hawaii Department of<br>Transportation, Special<br>Facility Revenue (Caterair<br>International Corporation)               | 10.13 | 12/1/10 | 900,000                | 896,877   |

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| <b>Long-Term Municipal<br/>Investments (continued)</b>   | Coupon<br>Rate (%) | Maturity<br>Date | Principal<br>Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------|
| <b>Idaho 1.0%</b>  |                    |                  |                          |            |
| Power County Industrial<br>Development Corporation, SWDR<br>(FMC Corporation Project)  | 6.45               | 8/1/32           | 5,000,000                | 5,033,950  |
| <b>Illinois 1.4%</b>   |                    |                  |                          |            |
| Chicago,<br>SFMR (Collateralized: FHLMC,<br>FNMA and GNMA)<br>Metropolitan Pier and Exposition<br>Authority, State Tax Revenue<br>(McCormick Place Expansion<br>Project) (Insured; National<br>Public Finance Guarantee Corp.) | 6.55               | 4/1/33           | 1,695,000                | 1,808,345  |
|  | 5.25               | 6/15/42          | 5,325,000                | 5,398,964  |
| <b>Indiana 2.2%</b>  |                    |                  |                          |            |
| Indianapolis Local Public<br>Improvement Bond Bank, Revenue<br>(Indianapolis Airport Authority<br>Project) (Insured; AMBAC)  | 5.00               | 1/1/36           | 7,500,000                | 7,357,050  |

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|  |      |         |                        |           |
|--|------|---------|------------------------|-----------|
| Petersburg,<br>SWDR (Indianapolis Power and<br>Light Company Project)  | 6.38 | 11/1/29 | 4,150,000              | 4,262,175 |
| <b>Iowa .3%</b>  |      |         |                        |           |
| Tobacco Settlement Authority of<br>Iowa, Tobacco Settlement<br>Asset-Backed Bonds  | 5.60 | 6/1/34  | 2,000,000              | 1,706,860 |
| <b>Kansas 1.7%</b>   |      |         |                        |           |
| Sedgwick and Shawnee Counties,<br>SFMR (Mortgage-Backed Securities<br>Program) (Collateralized:<br>FNMA and GNMA)                  | 6.45 | 12/1/33 | 4,745,000              | 5,058,455 |
| Sedgwick and Shawnee Counties,<br>SFMR (Mortgage-Backed<br>Securities Program)<br>(Collateralized: FNMA<br>and GNMA)               | 5.70 | 12/1/35 | 1,395,000              | 1,463,787 |
| Sedgwick and Shawnee Counties,<br>SFMR (Mortgage-Backed<br>Securities Program)<br>(Collateralized: FNMA and<br>GNMA) (Prerefunded) | 6.30 | 12/1/10 | 2,490,000 <sup>d</sup> | 2,532,679 |

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STATEMENT OF INVESTMENTS (continued)

| <b>Long-Term Municipal<br/>Investments (continued)</b>  | Coupon<br>Rate (%) | Maturity<br>Date | Principal<br>Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------|
| <b>Kentucky 1.9%</b>  |                    |                  |                          |            |
| Kentucky Area Development<br>Districts Financing Trust, COP<br>(Lease Acquisition Program)  | 5.50               | 5/1/27           | 2,000,000                | 2,085,700  |
| Louisville/Jefferson County<br>Metro Government, Health<br>Facilities Revenue (Jewish<br>Hospital and Saint Mary's<br>HealthCare, Inc. Project) | 6.13               | 2/1/37           | 2,300,000                | 2,467,302  |
| Paducah Electric Plant Board,   |                    |                  |                          |            |

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|   |      |          |           |           |
|---|------|----------|-----------|-----------|
| Revenue (Insured; Assured<br>Guaranty Municipal Corp.)  | 5.25 | 10/1/35  | 5,000,000 | 5,370,300 |
| <b>Louisiana 1.7%</b>   |      |          |           |           |
| Lakeshore Villages Master<br>Community Development District,<br>Special Assessment Revenue  | 5.25 | 7/1/17   | 2,979,000 | 1,624,747 |
| Louisiana Local Government<br>Environmental Facilities and<br>Community Development<br>Authority, Revenue (Westlake<br>Chemical Corporation Projects) | 6.75 | 11/1/32  | 7,000,000 | 7,396,830 |
| <b>Maine .5%</b>  |      |          |           |           |
| Maine Housing Authority,<br>Mortgage Purchase Bonds   | 5.30 | 11/15/23 | 2,825,000 | 2,861,443 |
| <b>Maryland 2.0%</b>  |      |          |           |           |
| Maryland Community<br>Development Administration,<br>Department of Housing and<br>Community Development,<br>Residential Revenue                       | 5.75 | 9/1/37   | 1,970,000 | 2,073,248 |
| Maryland Economic Development<br>Corporation, EDR (Transportation<br>Facilities Project)  | 5.75 | 6/1/35   | 1,500,000 | 1,575,915 |
| Maryland Economic Development<br>Corporation, Senior<br>Student Housing Revenue<br>(University of Maryland,<br>Baltimore Project)                     | 5.75 | 10/1/33  | 4,590,000 | 3,334,635 |

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| <b>Long-Term Municipal<br/>Investments (continued)</b>  | Coupon<br>Rate (%) | Maturity<br>Date | Principal<br>Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------|
| <b>Maryland (continued)</b>   |                    |                  |                          |            |
| Maryland Economic Development<br>Corporation, Student Housing<br>Revenue (University of<br>Maryland, College Park<br>Project) (Prerefunded) | 6.50               | 6/1/13           | 3,000,000 <sup>d</sup>   | 3,469,920  |

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| <b>Massachusetts 6.0%</b>   |      |          |                |            |
|---|------|----------|----------------|------------|
| Barclays Capital Municipal Trust<br>Receipts (Massachusetts Health<br>and Educational Facilities<br>Authority, Revenue<br>(Massachusetts Institute of<br>Technology Issue)) | 5.00 | 7/1/38   | 13,110,000 a,b | 14,221,335 |
| Massachusetts Health and<br>Educational Facilities Authority,<br>Revenue (Civic Investments<br>Issue) (Prerefunded)   | 9.00 | 12/15/12 | 1,500,000 d    | 1,739,850  |
| Massachusetts Health and<br>Educational Facilities<br>Authority, Revenue (Partners<br>HealthCare System Issue)  | 5.75 | 7/1/32   | 185,000        | 189,146    |
| Massachusetts Health and<br>Educational Facilities<br>Authority, Revenue (Suffolk<br>University Issue)  | 6.25 | 7/1/30   | 5,500,000      | 6,134,755  |
| Massachusetts Housing Finance<br>Agency, Rental Housing Mortgage<br>Revenue (Insured; AMBAC)  | 5.50 | 7/1/40   | 4,000,000      | 3,542,640  |
| Massachusetts Industrial Finance<br>Agency, RRR (Ogden<br>Haverhill Project)  | 5.60 | 12/1/19  | 6,000,000      | 6,034,500  |
| <b>Michigan 10.9%</b>   |      |          |                |            |
| Charyl Stockwell Academy,<br>COP<br>Detroit,<br>Sewage Disposal System Senior<br>Lien Revenue (Insured; Assured<br>Guaranty Municipal Corp.)                                | 5.90 | 10/1/35  | 2,580,000      | 2,193,619  |
|   | 7.00 | 7/1/27   | 2,500,000      | 3,016,225  |

The Fund 13

STATEMENT OF INVESTMENTS (continued)

| <b>Long-Term Municipal<br/>Investments (continued)</b> | Coupon<br>Rate (%) | Maturity<br>Date | Principal<br>Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------|
|--|--------------------|------------------|--------------------------|------------|



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|  |          |            |            |  |
|--|----------|------------|------------|--|
| <b>Michigan (continued)</b>  |          |            |            |  |
| Detroit,<br>Sewage Disposal System Senior<br>Lien Revenue (Insured; Assured<br>Guaranty Municipal Corp.)   |          |            |            |  |
| 7.50   | 7/1/33   | 5,700,000  | 7,006,554  |  |
| Detroit School District,<br>School Building and Site<br>Improvement Bonds (GO<br>Unlimited Tax) (Insured; FGIC)  |          |            |            |  |
| 5.00   | 5/1/28   | 6,930,000  | 7,010,873  |  |
| Kent Hospital Finance Authority,<br>Revenue (Metropolitan<br>Hospital Project)   |          |            |            |  |
| 6.00   | 7/1/35   | 2,930,000  | 2,874,154  |  |
| Kent Hospital Finance Authority,<br>Revenue (Metropolitan<br>Hospital Project)   |          |            |            |  |
| 6.25   | 7/1/40   | 3,000,000  | 2,979,600  |  |
| Michigan Hospital Finance<br>Authority, HR (Henry Ford<br>Health System)   |          |            |            |  |
| 5.63   | 11/15/29 | 5,000,000  | 5,282,700  |  |
| Michigan Strategic Fund,<br>LOR (The Detroit Edison<br>Company Exempt Facilities<br>Project) (Insured; XLCA)   |          |            |            |  |
| 5.25   | 12/15/32 | 3,000,000  | 3,029,940  |  |
| Michigan Strategic Fund,<br>SWDR (Genesee Power<br>Station Project)  |          |            |            |  |
| 7.50   | 1/1/21   | 11,800,000 | 10,966,566 |  |
| Royal Oak Hospital Finance<br>Authority, HR (William<br>Beaumont Hospital<br>Obligated Group)  |          |            |            |  |
| 8.25   | 9/1/39   | 5,500,000  | 6,672,875  |  |
| Wayne County Airport Authority,<br>Airport Revenue (Detroit<br>Metropolitan Wayne County<br>Airport) (Insured; National<br>Public Finance Guarantee Corp.) |          |            |            |  |
| 5.00   | 12/1/34  | 7,000,000  | 6,701,380  |  |
| <b>Minnesota 3.8%</b>  |          |            |            |  |
| Dakota County Community<br>Development Agency, SFMR<br>(Mortgage-Backed Securities<br>Program) (Collateralized:<br>FHLMC, FNMA and GNMA)                   |          |            |            |  |
| 5.15   | 12/1/38  | 1,849,882  | 1,939,490  |  |

| <b>Long-Term Municipal Investments (continued)</b>   | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|-----------------|---------------|-----------------------|------------|
| <b>Minnesota (continued)</b>   |                 |               |                       |            |
| Dakota County Community Development Agency, SFMR (Mortgage-Backed Securities Program) (Collateralized: FHLMC, FNMA and GNMA) | 5.30            | 12/1/39       | 1,922,754             | 2,045,868  |
| Minneapolis, Health Care System Revenue (Fairview Health Services) (Insured; Assured Guaranty Municipal Corp.)               | 6.50            | 11/15/38      | 5,000,000             | 5,749,150  |
| North Oaks, Senior Housing Revenue (Presbyterian Homes of North Oaks, Inc. Project)  | 6.25            | 10/1/47       | 5,265,000             | 5,323,494  |
| Winona, Health Care Facilities Revenue (Winona Health Obligated Group)   | 6.00            | 7/1/26        | 5,000,000             | 5,142,050  |
| <b>Mississippi 3.6%</b>  |                 |               |                       |            |
| Clairborne County, PCR (System Energy Resources, Inc. Project)   | 6.20            | 2/1/26        | 4,545,000             | 4,548,363  |
| Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project)  | 5.88            | 4/1/22        | 14,310,000            | 14,311,145 |
| <b>Missouri 1.6%</b>   |                 |               |                       |            |
| Missouri Development Finance Board, Infrastructure Facilities Revenue (Branson Landing Project)                              | 5.38            | 12/1/27       | 2,000,000             | 2,018,360  |
| Missouri Development Finance Board, Infrastructure Facilities Revenue (Branson Landing Project)                              | 5.50            | 12/1/32       | 4,500,000             | 4,535,280  |
| Missouri Development Finance Board, Infrastructure Facilities Revenue (Independence, Crackerneck Creek Project)              | 5.00            | 3/1/28        | 2,000,000             | 2,028,340  |

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**Montana .1%**

Montana Board of Housing,

|      |      |        |         |         |
|------|------|--------|---------|---------|
| SFMR | 6.45 | 6/1/29 | 685,000 | 696,994 |
|------|------|--------|---------|---------|

The Fund 15

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STATEMENT OF INVESTMENTS *(continued)*

**Long-Term Municipal**

**Investments (continued)**

**Nevada 2.3%**

Clark County,

IDR (Nevada Power

Company Project)

5.60

10/1/30

6,800,000

6,801,428

Clark County,

Passenger Facility Charge

Revenue (Las Vegas-McCarran

International Airport)

5.00

7/1/30

5,000,000

5,260,650

**New Hampshire 2.7%**

New Hampshire Business Finance

Authority, PCR (Public Service

Company of New Hampshire)

(Insured; AMBAC)

6.00

5/1/21

7,000,000

7,077,350

New Hampshire Health and

Educational Facilities

Authority, Revenue

(Exeter Project)

6.00

10/1/24

1,000,000

1,028,480

New Hampshire Health and

Educational Facilities

Authority, Revenue

(Exeter Project)

5.75

10/1/31

1,000,000

1,022,280

New Hampshire Industrial

Development Authority, PCR

(Connecticut Light and Power

Company Project)

5.90

11/1/16

5,000,000

5,010,100

**New Jersey 3.3%**

New Jersey Economic

Development Authority,

Cigarette Tax Revenue

5.75

6/15/34

5,500,000

5,457,265

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|  |      |        |                        |           |
|--|------|--------|------------------------|-----------|
| New Jersey Higher Education Student Assistance Authority, Student Loan Revenue (Insured; Assured Guaranty Municipal Corp.) | 6.13 | 6/1/30 | 5,000,000              | 5,432,200 |
| Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds (Prerefunded)                | 7.00 | 6/1/13 | 5,640,000 <sup>d</sup> | 6,582,613 |
| <b>New Mexico 2.6%</b>   |      |        |                        |           |
| Farmington, PCR (Public Service Company of New Mexico San Juan Project)  | 5.90 | 6/1/40 | 7,000,000              | 7,292,460 |

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| <b>Long-Term Municipal Investments (continued)</b>   | Coupon Rate (%) | Maturity Date | Principal Amount (\$)     | Value (\$) |
|--|-----------------|---------------|---------------------------|------------|
| <b>New Mexico (continued)</b>  |                 |               |                           |            |
| New Mexico Hospital Equipment Loan Council, Hospital System Revenue (Presbyterian Healthcare Services)   | 5.00            | 8/1/39        | 5,500,000                 | 5,710,540  |
| New Mexico Mortgage Finance Authority, Single Family Mortgage Program Revenue (Collateralized: FHLMC, FNMA and GNMA)                           | 6.15            | 7/1/35        | 865,000                   | 933,837    |
| <b>New York 7.9%</b>   |                 |               |                           |            |
| Barclays Capital Municipal Trust Receipts (New York City Municipal Water Finance Authority, Water and Sewer System General Resolution Revenue) | 5.00            | 6/15/39       | 20,000,000 <sup>a,b</sup> | 21,571,800 |
| New York City Industrial Development Agency, Liberty Revenue (7 World Trade Center Project)  | 6.25            | 3/1/15        | 3,275,000                 | 3,285,677  |
| New York City Industrial   |                 |               |                           |            |

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|  |      |          |           |           |
|--|------|----------|-----------|-----------|
| Development Agency,<br>PILOT Revenue (Yankee Stadium<br>Project) (Insured; Assured<br>Guaranty Municipal Corp.)                                    | 7.00 | 3/1/49   | 5,000,000 | 5,916,250 |
| Tobacco Settlement Financing<br>Corporation of New York,<br>Asset-Backed Revenue Bonds<br>(State Contingency Contract<br>Secured) (Insured; AMBAC) | 5.25 | 6/1/21   | 5,000,000 | 5,417,250 |
| Triborough Bridge and Tunnel<br>Authority, Revenue   | 5.25 | 11/15/30 | 5,220,000 | 5,670,277 |
| <b>North Carolina .5%</b>  |      |          |           |           |
| North Carolina Housing Finance<br>Agency, Home Ownership Revenue   | 5.88 | 7/1/31   | 2,810,000 | 2,812,473 |
| <b>Ohio 3.2%</b>   |      |          |           |           |
| Buckeye Tobacco Settlement<br>Financing Authority,<br>Tobacco Settlement<br>Asset-Backed Bonds   | 5.88 | 6/1/30   | 3,000,000 | 2,426,160 |

The Fund 17

STATEMENT OF INVESTMENTS (continued)

| <b>Long-Term Municipal<br/>Investments (continued)</b>   | Coupon<br>Rate (%) | Maturity<br>Date | Principal<br>Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------|
| <b>Ohio (continued)</b>  |                    |                  |                          |            |
| Canal Winchester Local School<br>District, School Facilities<br>Construction and Improvement<br>and Advance Refunding Bonds<br>(GO Unlimited Tax) (Insured;<br>National Public Finance<br>Guarantee Corp.) | 0.00               | 12/1/29          | 3,955,000 <sup>c</sup>   | 1,652,715  |
| Canal Winchester Local School<br>District, School Facilities<br>Construction and Improvement<br>and Advance Refunding Bonds<br>(GO Unlimited Tax) (Insured;  |                    |                  |                          |            |

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|   |      |         |                        |           |
|---|------|---------|------------------------|-----------|
| National Public Finance   |      |         |                        |           |
| Guarantee Corp.)  | 0.00 | 12/1/31 | 3,955,000 <sup>c</sup> | 1,438,829 |
| Ohio Air Quality Development Authority, Air Quality Revenue                         |      |         |                        |           |
| (Ohio Valley Electric Corporation Project)  |      |         |                        |           |
|   | 5.63 | 10/1/19 | 5,900,000              | 6,441,679 |
| Port of Greater Cincinnati Development Authority, Tax Increment Development Revenue |      |         |                        |           |
| (Fairfax Village Red Bank Infrastructure Project)                                   |      |         |                        |           |
|   | 5.63 | 2/1/36  | 3,000,000 <sup>b</sup> | 2,280,810 |
| Toledo Lucas County Port Authority, Airport Revenue                                 |      |         |                        |           |
| (Baxter Global Project)   |      |         |                        |           |
|   | 6.25 | 11/1/13 | 2,600,000              | 2,504,814 |
| <b>Oklahoma .1%</b>   |      |         |                        |           |
| Oklahoma Housing Finance Agency, SFMR (Homeownership Loan Program)                  |      |         |                        |           |
|   | 7.55 | 9/1/28  | 340,000                | 345,824   |
| <b>Oregon 1.3%</b>  |      |         |                        |           |
| Multnomah County Hospital Facilities Authority, Revenue                             |      |         |                        |           |
| (Adventist Health System/West)  |      |         |                        |           |
|   | 5.13 | 9/1/40  | 3,500,000              | 3,627,890 |
| Warm Springs Reservation Confederated Tribes, Hydroelectric Revenue                 |      |         |                        |           |
| (Pelton Round Butte Project)  |      |         |                        |           |
|   | 6.38 | 11/1/33 | 3,300,000              | 3,439,194 |
| <b>Pennsylvania 1.4%</b>  |      |         |                        |           |
| Pennsylvania Turnpike Commission, Turnpike Subordinate Revenue                      |      |         |                        |           |
|   | 5.25 | 6/1/39  | 5,000,000              | 5,283,350 |

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| Long-Term Municipal Investments (continued)  | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|-----------------|---------------|-----------------------|------------|
| <b>Pennsylvania (continued)</b>  |                 |               |                       |            |
| Philadelphia Authority for Industrial Development, Revenue (Please Touch Museum Project) |                 |               |                       |            |
|  | 5.25            | 9/1/31        | 2,500,000             | 2,306,050  |

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**Rhode Island 1.1%**

|   |      |         |           |           |
|---|------|---------|-----------|-----------|
| 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 | 5,920,800 |
|---|------|---------|-----------|-----------|

**South Carolina 4.2%**

|  |      |        |                |            |
|--|------|--------|----------------|------------|
| Barclays Capital Municipal Trust Receipts (Columbia, Waterworks and Sewer System Revenue) South Carolina Public Service Authority, Revenue Obligations | 5.00 | 2/1/40 | 10,000,000 a,b | 10,914,700 |
|  | 5.50 | 1/1/38 | 10,000,000     | 11,152,800 |

**Tennessee 3.5%**

|   |      |          |                |            |
|---|------|----------|----------------|------------|
| Barclays Capital Municipal Trust Receipts (Rutherford County Health and Educational Facilities Board, Revenue (Ascension Health Senior Credit Group)) Metropolitan Government of Nashville and Davidson County Health and Educational Facilities Board, Revenue (The Vanderbilt University) | 5.00 | 11/15/40 | 10,000,000 a,b | 10,500,100 |
|   | 5.50 | 10/1/34  | 7,000,000      | 7,977,410  |

**Texas 12.9%**

|   |      |         |               |           |
|---|------|---------|---------------|-----------|
| Barclays Capital Municipal Trust Receipts (Leander Independent School District, Unlimited Tax School Building Bonds (Permanent School Fund Guarantee Program)) Cities of Dallas and Fort Worth, Dallas/Fort Worth International Airport, Joint Revenue (Insured; National Public Finance Guarantee Corp.) | 5.00 | 8/15/40 | 8,510,000 a,b | 9,255,944 |
|   | 6.25 | 11/1/28 | 3,000,000     | 3,011,160 |

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STATEMENT OF INVESTMENTS (continued)

| <b>Long-Term Municipal Investments (continued)</b>  | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|---|-----------------|---------------|-----------------------|------------|
| <b>Texas (continued)</b>  |                 |               |                       |            |
| Dallas Area Rapid Transit, Senior Lien Sales Tax Revenue  | 5.25            | 12/1/48       | 10,000,000            | 10,724,200 |
| Harris County Health Facilities Development Corporation, HR (Memorial Hermann Healthcare System)                | 7.25            | 12/1/35       | 2,000,000             | 2,317,500  |
| Houston, Combined Utility System First Lien Revenue (Insured; Assured Guaranty Municipal Corp.)                 | 6.00            | 11/15/36      | 5,000,000             | 5,860,450  |
| North Texas Tollway Authority, First Tier System Revenue (Insured; Assured Guaranty Municipal Corp.)            | 5.75            | 1/1/40        | 10,300,000            | 11,393,654 |
| North Texas Tollway Authority, Second Tier System Revenue   | 5.75            | 1/1/38        | 5,500,000             | 5,861,460  |
| Sabine River Authority, PCR (TXU Electric Company Project)  | 6.45            | 6/1/21        | 11,300,000            | 4,993,583  |
| Sam Rayburn Municipal Power Agency, Power Supply System Revenue   | 5.75            | 10/1/21       | 6,000,000             | 6,182,700  |
| Texas Department of Housing and Community Affairs, Home Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA) | 12.98           | 7/2/24        | 650,000 <sup>e</sup>  | 796,536    |
| Texas Turnpike Authority, Central Texas Turnpike System Revenue (Insured; AMBAC)                                | 5.75            | 8/15/38       | 7,100,000             | 7,256,839  |
| <b>Vermont .1%</b>  |                 |               |                       |            |
| Vermont Housing Finance Agency, SFHR (Insured; Assured Guaranty Municipal Corp.)                                | 6.40            | 11/1/30       | 515,000               | 525,764    |
| <b>Virginia 2.0%</b>  |                 |               |                       |            |



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|  |      |         |                |            |
|--|------|---------|----------------|------------|
| Barclays Capital Municipal Trust<br>Receipts (Virginia Small<br>Business Financing Authority,<br>Health Care Facilities<br>Revenue (Sentara Healthcare)) | 5.00 | 11/1/40 | 10,000,000 a,b | 10,609,400 |
|--|------|---------|----------------|------------|

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| <b>Long-Term Municipal<br/>Investments (continued)</b>  | Coupon<br>Rate (%) | Maturity<br>Date | Principal<br>Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------|
| <b>Washington 4.7%</b>  |                    |                  |                          |            |
| Barclays Capital Municipal Trust<br>Receipts (King County, Limited<br>Tax GO (Payable from<br>Sewer Revenues))            | 5.13               | 1/1/33           | 10,000,000 a,b           | 10,980,300 |
| Washington Health Care Facilities<br>Authority, Mortgage Revenue<br>(Highline Medical Center)<br>(Collateralized; FHA)    | 6.25               | 8/1/36           | 6,000,000                | 6,624,000  |
| Washington Higher Education<br>Facilities Authority, Revenue<br>(Seattle University Project)<br>(Insured; AMBAC)          | 5.25               | 11/1/37          | 4,210,000                | 4,402,187  |
| Washington Housing Finance<br>Commission, Revenue<br>(Single-Family Program)<br>(Collateralized: FHLMC,<br>FNMA and GNMA) | 5.15               | 6/1/37           | 3,000,000                | 3,081,900  |
| <b>West Virginia .8%</b>  |                    |                  |                          |            |
| The County Commission of Harrison<br>County, SWDR (Allegheny Energy<br>Supply Company, LLC Harrison<br>Station Project)   | 5.50               | 10/15/37         | 2,000,000                | 2,022,020  |
| West Virginia Water<br>Development Authority,<br>Water Development<br>Revenue (Insured; AMBAC)                            | 6.38               | 7/1/39           | 2,250,000                | 2,274,750  |
| <b>Wisconsin 5.0%</b>   |                    |                  |                          |            |
| Badger Tobacco Asset  |                    |                  |                          |            |

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|  |      |         |                         |            |
|--|------|---------|-------------------------|------------|
| Securitization Corporation,<br>Tobacco Settlement<br>Asset-Backed Bonds<br>(Prerefunded)                         | 7.00 | 6/1/12  | 12,995,000 <sup>d</sup> | 14,383,126 |
| Badger Tobacco Asset<br>Securitization Corporation,<br>Tobacco Settlement<br>Asset-Backed Bonds<br>(Prerefunded) | 6.13 | 6/1/12  | 6,860,000 <sup>d</sup>  | 7,338,073  |
| Madison,<br>IDR (Madison Gas and Electric<br>Company Projects)   | 5.88 | 10/1/34 | 2,390,000               | 2,424,583  |

The Fund 21

STATEMENT OF INVESTMENTS (continued)

| <b>Long-Term Municipal<br/>Investments (continued)</b>  | Coupon<br>Rate (%) | Maturity<br>Date | Principal<br>Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------|
| <b>Wisconsin (continued)</b>  |                    |                  |                          |            |
| Wisconsin Health and Educational<br>Facilities Authority, Revenue<br>(Aurora Health Care, Inc.)                 | 6.40               | 4/15/33          | 2,000,000                | 2,064,080  |
| <b>Wyoming 1.0%</b>   |                    |                  |                          |            |
| Wyoming Municipal Power Agency,<br>Power Supply System Revenue  | 5.50               | 1/1/33           | 2,360,000                | 2,534,687  |
| Wyoming Municipal Power Agency,<br>Power Supply System Revenue  | 5.38               | 1/1/42           | 2,750,000                | 2,902,515  |
| <b>U.S. Related 6.0%</b>  |                    |                  |                          |            |
| Government of Guam,<br>LOR (Section 30)   | 5.75               | 12/1/34          | 2,000,000                | 2,106,080  |
| Guam Housing Corporation,<br>SFMR (Guaranteed<br>Mortgage-Backed Securities<br>Program) (Collateralized; FHLMC) | 5.75               | 9/1/31           | 965,000                  | 1,097,572  |
| Puerto Rico Commonwealth,<br>Public Improvement GO  | 5.50               | 7/1/32           | 2,000,000                | 2,105,460  |
| Puerto Rico Commonwealth,<br>Public Improvement GO  | 6.00               | 7/1/39           | 3,500,000                | 3,794,385  |

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|   |      |        |            |                    |
|---|------|--------|------------|--------------------|
| Puerto Rico Electric Power Authority, Power Revenue                                       | 5.25 | 7/1/40 | 2,500,000  | 2,614,350          |
| Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series) | 5.38 | 8/1/38 | 5,000,000  | 5,319,800          |
| Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series) | 5.38 | 8/1/39 | 2,500,000  | 2,651,400          |
| Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series) | 6.00 | 8/1/42 | 11,000,000 | 12,208,240         |
| <b>Total Long-Term Municipal Investments</b><br>(cost \$751,220,879)                      |      |        |            | <b>791,391,276</b> |

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| <b>Short-Term Municipal Investments</b>   | Coupon Rate (%) | Maturity Date | Principal Amount (\$)  | Value (\$)           |
|---|-----------------|---------------|------------------------|----------------------|
| <b>.3%</b>  |                 |               |                        |                      |
| <b>California .2%</b>   |                 |               |                        |                      |
| California, GO Notes (Kindergarten-University) (LOC: California State Teachers Retirement System and Citibank NA) | 0.28            | 10/1/10       | 1,000,000 <sup>f</sup> | 1,000,000            |
| <b>New York .1%</b>   |                 |               |                        |                      |
| New York City, GO Notes (LOC; Bank of America)  | 0.30            | 10/1/10       | 800,000 <sup>f</sup>   | 800,000              |
| <b>Total Short-Term Municipal Investments</b><br>(cost \$1,800,000)   |                 |               |                        | <b>1,800,000</b>     |
| <b>Total Investments</b> (cost \$753,020,879)   |                 |               | <b>150.1%</b>          | <b>793,191,276</b>   |
| <b>Liabilities, Less Cash and Receivables</b>   |                 |               | <b>(5.5%)</b>          | <b>(28,834,054)</b>  |
| <b>Preferred Stock, at redemption value</b>   |                 |               | <b>(44.6%)</b>         | <b>(235,750,000)</b> |
| <b>Net Assets Applicable to Common Shareholders</b>   |                 |               | <b>100.0%</b>          | <b>528,607,222</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*

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*transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2010, these securities had a market value of \$108,745,991 or 20.6% of net assets applicable to Common Shareholders.*

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

*d 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.*

*e Inverse floater security the interest rate is subject to change periodically.*

*f Variable rate demand note rate shown is the interest rate in effect at September 30, 2010. Maturity date represents the next demand date, or the ultimate maturity date if earlier.*

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### STATEMENT OF INVESTMENTS *(continued)*

#### Summary of Abbreviations

|              |  |             |  |
|--------------|--|-------------|--|
| <b>ABAG</b>  | Association of Bay Area Governments              | <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<br>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<br>Company  |
| <b>FHA</b>   | Federal Housing Administration                   | <b>FHLB</b> | Federal Home Loan Bank                   |
| <b>FHLMC</b> | Federal Home Loan Mortgage<br>Corporation        | <b>FNMA</b> | Federal National<br>Mortgage Association |
| <b>GAN</b>   | Grant Anticipation Notes                         | <b>GIC</b>  | Guaranteed Investment Contract           |
| <b>GNMA</b>  | Government National<br>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                |

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|               |                                    |                |                                 |
|---------------|------------------------------------|----------------|---------------------------------|
| <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 (%)    |
|------------------------|----|------------------------|----|------------------------|--------------|
| AAA                    |    | Aaa                    |    | AAA                    | 29.0         |
| AA                     |    | Aa                     |    | AA                     | 18.9         |
| A                      |    | A                      |    | A                      | 25.6         |
| BBB                    |    | Baa                    |    | BBB                    | 17.0         |
| BB                     |    | Ba                     |    | BB                     | 2.7          |
| B                      |    | B                      |    | B                      | 1.1          |
| F1                     |    | MIG1/P1                |    | SP1/A1                 | .3           |
| Not Rated <sup>g</sup> |    | Not Rated <sup>g</sup> |    | Not Rated <sup>g</sup> | 5.4          |
|                        |    |                        |    |                        | <b>100.0</b> |

Based on total investments.

<sup>g</sup> 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

September 30, 2010

|  |      |       |
|--|------|-------|
|  | Cost | Value |
|--|------|-------|

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|  |             |                    |
|--|-------------|--------------------|
| <b>Assets (\$):</b>  |             |                    |
| Investments in securities See Statement of Investments   | 753,020,879 | 793,191,276        |
| Receivable for investment securities sold  |             | 18,028,877         |
| Interest receivable  |             | 13,382,207         |
| Prepaid expenses   |             | 40,416             |
|  |             | <b>824,642,776</b> |
| <b>Liabilities (\$):</b>   |             |                    |
| Due to The Dreyfus Corporation and affiliates Note 2(b)  |             | 462,116            |
| Cash overdraft due to Custodian  |             | 2,615,546          |
| Payable for floating rate notes issued Note 3  |             | 49,415,000         |
| Payable for investment securities purchased  |             | 7,406,250          |
| Interest and expense payable related to floating rate notes issued Note 3  |             | 180,961            |
| Commissions payable  |             | 30,414             |
| Dividends payable to Preferred Shareholders  |             | 9,813              |
| Accrued expenses   |             | 165,454            |
|  |             | <b>60,285,554</b>  |
| <b>Auction Preferred Stock</b> , Series M,T,W,Th and F, par value \$.001 per share (9,430 shares issued and outstanding at \$25,000 per share liquidation preference) Note 1 |             | 235,750,000        |
| <b>Net Assets applicable to Common Shareholders (\$)</b>   |             | <b>528,607,222</b> |
| <b>Composition of Net Assets (\$):</b>   |             |                    |
| Common Stock, par value, \$.001 per share (61,111,892 shares issued and outstanding)   |             | 61,112             |
| Paid-in capital  |             | 576,080,868        |
| Accumulated undistributed investment income net  |             | 9,470,839          |
| Accumulated net realized gain (loss) on investments  |             | (97,175,994)       |
| Accumulated net unrealized appreciation (depreciation) on investments  |             | 40,170,397         |
| <b>Net Assets applicable to Common Shareholders (\$)</b>   |             | <b>528,607,222</b> |
| <b>Shares Outstanding</b>  |             |                    |
| (500 million shares authorized)  |             | 61,111,892         |
| <b>Net Asset Value</b> , per share of Common Stock (\$)  |             | <b>8.65</b>        |

See notes to financial statements.

## STATEMENT OF OPERATIONS

Year Ended September 30, 2010

|  |                    |
|--|--------------------|
| <b>Investment Income (\$):</b>   |                    |
| <b>Interest Income</b>   | <b>44,161,486</b>  |
| <b>Expenses:</b>   |                    |
| Management fee Note 2(a)   | 5,804,160          |
| Commission fees Note 1   | 440,850            |
| Interest and expense related to floating rate notes issued Note 3      | 262,809            |
| Custodian fees Note 2(b)   | 141,583            |
| Shareholder servicing costs Note 2(b)                                  | 108,724            |
| Shareholders report  | 82,974             |
| Professional fees  | 79,700             |
| Directors fees and expenses Note 2(c)                                  | 74,094             |
| Registration fees  | 35,845             |
| Miscellaneous  | 80,847             |
| <b>Total Expenses</b>  | <b>7,111,586</b>   |
| Less reduction in management fee due to undertaking Note 2(a)          | (773,888)          |
| <b>Net Expenses</b>  | <b>6,337,698</b>   |
| <b>Investment Income Net</b>   | <b>37,823,788</b>  |
| <b>Realized and Unrealized Gain (Loss) on Investments Note 3 (\$):</b> |                    |
| Net realized gain (loss) on investments                                | (7,762,407)        |
| Net unrealized appreciation (depreciation) on investments              | 16,873,724         |
| <b>Net Realized and Unrealized Gain (Loss) on Investments</b>          | <b>9,111,317</b>   |
| <b>Dividends to Preferred Shareholders</b>                             | <b>(1,068,111)</b> |
| <b>Net Increase in Net Assets Resulting from Operations</b>            | <b>45,866,994</b>  |

See notes to financial statements.

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## STATEMENT OF CHANGES IN NET ASSETS

|  | Year Ended September 30, |                   |
|--|--------------------------|-------------------|
|  | 2010                     | 2009              |
| <b>Operations (\$):</b>                                      |                          |                   |
| Investment income net  | 37,823,788               | 40,898,461        |
| Net realized gain (loss) on investments                      | (7,762,407)              | (33,619,710)      |
| Net unrealized appreciation<br>(depreciation) on investments | 16,873,724               | 63,210,009        |
| Dividends to Preferred Shareholders                          | (1,068,111)              | (3,662,757)       |
| <b>Net Increase (Decrease) in Net Assets</b>                 |                          |                   |
| <b>Resulting from Operations</b>                             | <b>45,866,994</b>        | <b>66,826,003</b> |

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|   |                     |                     |
|---|---------------------|---------------------|
| <b>Dividends to Common Shareholders from (\$):</b>                        |                     |                     |
| <b>Investment income net</b>  | <b>(34,940,680)</b> | <b>(30,626,523)</b> |
| <b>Capital Stock Transactions (\$):</b>                                   |                     |                     |
| <b>Dividends reinvested</b>   | <b>2,894,956</b>    |                     |
| <b>Total Increase (Decrease) in Net Assets</b>                            | <b>13,821,270</b>   | <b>36,199,480</b>   |
| <b>Net Assets (\$):</b>   |                     |                     |
| Beginning of Period   | 514,785,952         | 478,586,472         |
| <b>End of Period</b>  | <b>528,607,222</b>  | <b>514,785,952</b>  |
| Undistributed investment income net                                       | 9,470,839           | 7,856,058           |
| <b>Capital Share Transactions (Shares):</b>                               |                     |                     |
| <b>Increase in Shares Outstanding as a Result of Dividends Reinvested</b> | <b>344,971</b>      |                     |

See notes to financial statements.

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

|  | Year Ended September 30, |              |                |            |             |
|--|--------------------------|--------------|----------------|------------|-------------|
|  | 2010                     | 2009         | 2008           | 2007       | 2006        |
| <b>Per Share Data (\$):</b>                                    |                          |              |                |            |             |
| Net asset value, beginning of period                           | 8.47                     | 7.88         | 9.12           | 9.46       | 9.38        |
| Investment Operations:   |                          |              |                |            |             |
| Investment income net  | .62                      | .67          | .68            | .69        | .66         |
| Net realized and unrealized gain (loss) on investments         | .15                      | .48          | (1.25)         | (.36)      | .09         |
| Dividends to Preferred Shareholders from investment income net | (.02)                    | (.06)        | (.17)          | (.17)      | (.15)       |
| Total from Investment Operations                               | .75                      | 1.09         | (.74)          | .16        | .60         |
| Distributions to Common Shareholders:                          |                          |              |                |            |             |
| Dividends from investment income net                           | (.57)                    | (.50)        | (.50)          | (.50)      | (.52)       |
| Net asset value, end of period                                 | 8.65                     | 8.47         | 7.88           | 9.12       | 9.46        |
| Market value, end of period                                    | 9.02                     | 7.91         | 6.75           | 8.74       | 9.18        |
| <b>Total Return (%)<sup>b</sup></b>                            | <b>22.13</b>             | <b>26.05</b> | <b>(18.00)</b> | <b>.46</b> | <b>9.74</b> |

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FINANCIAL HIGHLIGHTS (continued)

|   | Year Ended September 30, |         |         |         |         |
|---|--------------------------|---------|---------|---------|---------|
|   | 2010                     | 2009    | 2008    | 2007    | 2006    |
| <b>Ratios/Supplemental Data (%):</b>  |                          |         |         |         |         |
| Ratio of total expenses to average net assets applicable to Common Stock <sup>C</sup>   | 1.40                     | 1.50    | 1.58    | 1.63    | 1.55    |
| Ratio of net expenses to average net assets applicable to Common Stock <sup>C</sup>   | 1.24                     | 1.34    | 1.42    | 1.48    | 1.40    |
| Ratio of interest and expense related to floating rate notes issued to average net assets applicable to Common Stock <sup>C</sup> | .05                      |         | .17     | .28     | .18     |
| Ratio of net investment income to average net assets applicable to Common Stock <sup>C</sup>                                      | 7.43                     | 9.09    | 7.79    | 7.38    | 7.15    |
| Ratio of total expenses to total average net assets   | .92                      | .92     | 1.03    | 1.09    | 1.03    |
| Ratio of net expenses to total average net assets   | .82                      | .82     | .92     | .99     | .93     |
| Ratio of interest and expense related to floating rate notes issued to total average net assets                                   | .03                      |         | .11     | .19     | .12     |
| Ratio of net investment income to total average net assets  | 4.89                     | 5.57    | 5.07    | 4.92    | 4.75    |
| Portfolio Turnover Rate   | 24.41                    | 28.72   | 48.60   | 34.75   | 31.44   |
| Asset coverage of Preferred Stock, end of period  | 324                      | 281     | 268     | 294     | 301     |
| Net Assets, net of Preferred Stock, end of period (\$ x 1,000)  | 528,607                  | 514,786 | 478,586 | 553,598 | 573,391 |
| Preferred Stock outstanding, end of period (\$ x 1,000)   | 235,750                  | 285,000 | 285,000 | 285,000 | 285,000 |

a Based on average common shares outstanding at each month end.

b Calculated based on market value.

c Does not reflect the effect of dividends to Preferred Shareholders.

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

## NOTE 1 Significant Accounting Policies:

Dreyfus Strategic Municipals, Inc. (the fund) is registered under the Investment Company Act of 1940, as amended (the Act), as a diversified closed-end management investment company. The fund's investment objective is to maximize current income exempt from federal income tax to the extent consistent with the preservation of capital. The Dreyfus Corporation (the Manager or Dreyfus), a wholly-owned subsidiary of The Bank of New York Mellon Corporation (BNY Mellon), serves as the fund's investment adviser. The fund's Common Stock trades on the New York Stock Exchange (the NYSE) under the ticker symbol LEO.

The fund has outstanding 1,886 shares of Series M, Series T, Series W, Series TH and Series F for a total of 9,430 shares of Auction Preferred Stock (APS), with a liquidation preference of \$25,000 per share (plus an amount equal to accumulated but unpaid dividends upon liquidation). APS dividend rates are determined pursuant to periodic auctions or by reference to a market rate. Deutsche Bank Trust Company America, as Auction Agent, receives a fee from the fund for its services in connection with such auctions. The fund also compensates broker-dealers generally at an annual rate of .15%-.25% of the purchase price of the shares of APS.

The fund is subject to certain restrictions relating to the APS. Failure to comply with these restrictions could preclude the fund from declaring any distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of APS at liquidation value. Thus, redemptions of APS may be deemed to be outside of the control of the fund.

The holders of the APS, voting as a separate class, have the right to elect at least two directors. The holders of the APS will vote as a separate class on certain other matters, as required by law. The fund has designated Robin A. Melvin and John E. Zuccotti as directors to be elected by the holders of APS.

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## NOTES TO FINANCIAL STATEMENTS (continued)

On November 9, 2009, the Board of Directors authorized the fund to redeem up to 25% of the fund's APS, subject to market, regulatory and other conditions and factors.

During the period ended September 30, 2010, the fund announced the following redemptions of APS at a price of \$25,000 per share plus any accrued and unpaid dividends through the redemption date.

| Series | Shares Redeemed | Amount Redeemed (\$) | Redemption Date |
|--------|-----------------|----------------------|-----------------|
| M      | 92              | 2,300,000            | March 9, 2010   |
| T      | 92              | 2,300,000            | March 10, 2010  |
| W      | 92              | 2,300,000            | March 11, 2010  |
| TH     | 92              | 2,300,000            | March 12, 2010  |
| F      | 92              | 2,300,000            | March 8, 2010   |
| M      | 68              | 1,700,000            | March 30, 2010  |
| T      | 68              | 1,700,000            | March 31, 2010  |
| W      | 68              | 1,700,000            | April 1, 2010   |
| TH     | 68              | 1,700,000            | April 5, 2010   |
| F      | 68              | 1,700,000            | March 29, 2010  |

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|              |              |                   |                   |
|--------------|--------------|-------------------|-------------------|
| M            | 154          | 3,850,000         | April 27, 2010    |
| T            | 154          | 3,850,000         | April 28, 2010    |
| W            | 154          | 3,850,000         | April 29, 2010    |
| TH           | 154          | 3,850,000         | April 30, 2010    |
| F            | 154          | 3,850,000         | April 26, 2010    |
| M            | 40           | 1,000,000         | July 27, 2010     |
| T            | 40           | 1,000,000         | July 28, 2010     |
| W            | 40           | 1,000,000         | July 29, 2010     |
| TH           | 40           | 1,000,000         | July 30, 2010     |
| F            | 40           | 1,000,000         | July 26, 2010     |
| M            | 40           | 1,000,000         | August 31, 2010   |
| T            | 40           | 1,000,000         | September 1, 2010 |
| W            | 40           | 1,000,000         | September 2, 2010 |
| TH           | 40           | 1,000,000         | September 3, 2010 |
| F            | 40           | 1,000,000         | August 30, 2010   |
| <b>Total</b> | <b>1,970</b> | <b>49,250,000</b> |                   |

The Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) is the exclusive reference of authoritative U.S. generally accepted accounting principles ( GAAP ) recog-

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nized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ( SEC ) under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

**(a) Portfolio valuation:** Investments in municipal debt securities are valued on the last business day of each week and month by an independent pricing service (the Service ) approved by the Board of Directors. Investments for which quoted bid prices are readily available and are representative of the bid side of the market in the judgment of the Service are valued at the mean between the quoted bid prices (as obtained by the Service from dealers in such securities) and asked prices (as calculated by the Service based upon its evaluation of the market for such securities). Other investments (which constitute a majority of the portfolio securities) are carried at fair value as determined by the Service, based on methods which include consideration of: yields or prices of municipal securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. Options and financial futures on municipal and U.S. Treasury securities are valued at the last sales price on the securities exchange on which such securities are primarily traded or at the last sales price on the national securities market on the last business day of each week and month.

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the

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NOTES TO FINANCIAL STATEMENTS (continued)

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exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These inputs are summarized in the three broad levels listed below:

**Level 1** unadjusted quoted prices in active markets for identical investments.

**Level 2** other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

**Level 3** significant unobservable inputs (including the fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities

The following is a summary of the inputs used as of September 30, 2010 in valuing the fund's investments:

|                            | Level 1<br>Unadjusted<br>Quoted Prices | Level 2 Other<br>Significant<br>Observable<br>Inputs | Level 3<br>Significant<br>Unobservable<br>Inputs | Total              |
|----------------------------|--|--|--|--------------------|
| <b>Assets (\$)</b>         |  |  |  |                    |
| Investments in Securities: |  |  |  |                    |
| Municipal Bonds            |  | 793,191,276  |  | <b>793,191,276</b> |

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In January 2010, FASB issued Accounting Standards Update (ASU) No. 2010-06 Improving Disclosures about Fair Value Measurements. The portions of ASU No. 2010-06 which require reporting entities to prepare new disclosures surrounding amounts and reasons for significant transfers in and out of Level 1 and Level 2 fair value measurements as well as inputs and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3 have been adopted by the fund. No significant transfers between Level 1 or Level 2 fair value measurements occurred at September 30, 2010. The remaining portion of ASU No. 2010-06 requires reporting entities to make new disclosures about information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of activity in Level 3 fair value measurements. These new and revised disclosures are required to be implemented for fiscal years beginning after December 15, 2010. Management is currently evaluating the impact that the adoption of this remaining portion of ASU No. 2010-06 may have on the fund's financial statement disclosures.

**(b) Securities transactions and investment income:** Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the identified cost basis. Interest income, adjusted for accretion of discount and amortization of premium on investments, is earned from settlement date and recognized on the accrual basis. Securities purchased or sold on a when-issued or delayed delivery basis may be settled a month or more after the trade date.

**(c) Dividends to shareholders of Common Stock ( Common Shareholders(s) Dividends** are recorded on the ex-dividend date. Dividends from investment income-net are declared and paid monthly. Dividends from net realized capital gains, if any, are normally declared and paid annually, but the fund may make distributions on a more fre-

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NOTES TO FINANCIAL STATEMENTS (continued)

quent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the Code ). To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

For Common Shareholders who elect to receive their distributions in additional shares of the fund, in lieu of cash, such distributions will be reinvested at the lower of the market price or net asset value per share (but not less than 95% of the market price) as defined in the dividend reinvestment and cash purchase plan.

On September 29, 2010, the Board of Directors declared a cash dividend of \$.049 per share from investment income-net, payable on October 29, 2010 to Common Shareholders of record as of the close of business on October 15, 2010.

**(d) Dividends to shareholders of APS:** Dividends, which are cumulative, are generally reset every 7 days for each Series of APS pursuant to a process specified in related fund charter documents. Dividend rates as of September 30, 2010, for each Series of APS were as follows: Series M-0.427%, Series T-0.427%, Series W-0.427%, Series TH-0.457% and Series F-0.457%. These rates reflect the maximum rates under the governing instruments as a result of failed auctions in which sufficient clearing bids are not received. The average dividend rates for the period ended September 30, 2010 for each Series of APS were as follows: Series M-0.41%, Series T-0.40%, Series W-0.40%, Series TH-0.40% and Series F-0.41%.

**(e) Federal income taxes:** It is the policy of the fund to continue to qualify as a regulated investment company, which can distribute tax exempt dividends, by complying with the applicable provisions of the Code and to make distributions of income and net realized capital gain sufficient to relieve it from substantially all federal income and excise taxes.

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As of and during the period ended September 30, 2010, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations. During the period, the fund did not incur any interest or penalties.

Each of the tax years in the four-year period ended September 30, 2010 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At September 30, 2010, the components of accumulated earnings on a tax basis were as follows: undistributed tax exempt income \$10,178,923, accumulated capital losses \$89,521,056 and unrealized appreciation \$40,430,907. In addition, the fund had \$7,915,448 of capital losses realized after October 31, 2009, which were deferred for tax purposes to the first day of the following fiscal year.

The accumulated capital loss carryover is available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to September 30, 2010. If not applied, \$19,582,677 of the carryover expires in fiscal 2011, \$27,258,106 expires in fiscal 2012, \$264,789 expires in fiscal 2016, \$9,875,465 expires in fiscal 2017 and \$32,540,019 expires in fiscal 2018.

The tax character of distributions paid to shareholders during the fiscal periods ended September 30, 2010 and September 30, 2009 were as follows: tax exempt income \$35,831,855 and \$34,279,700 and ordinary income \$176,936 and \$9,580, respectively.

During the period ended September 30, 2010, as a result of permanent book to tax differences, primarily due to the tax treatment for amortization adjustments, the fund decreased accumulated undistributed investment income-net by \$200,216, decreased net realized gain (loss) on investments by \$4,135 and increased paid-in capital by \$204,351. Net assets and net asset value per share were not affected by this

reclassification.

The Fund 37

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NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 2 Management Fee and Other Transactions With Affiliates:

(a) Pursuant to a management agreement ( Agreement ) with the Manager, the management fee is computed at the annual rate of .75% of the value of the fund's average weekly net assets, inclusive of the outstanding auction preferred stock, and is payable monthly. The Agreement provides for an expense reimbursement from the Manager should the fund's aggregate expenses, exclusive of taxes, interest on borrowings, brokerage and extraordinary expenses, in any full fiscal year exceed the lesser of (1) the expense limitation of any state having jurisdiction over the fund or (2) 2% of the first \$10 million, 1 1/2 % of the next \$20 million and 1% of the excess over \$30 million of the average value of the fund's net assets. The Manager has currently undertaken for the period from October 1, 2009 through May 31, 2011, to waive receipt of a portion of the fund's management fee, in the amount of .10% of the value of the fund's average weekly net assets (including net assets representing auction preferred stock outstanding). The reduction in management fee, pursuant to the undertaking, amounted to \$773,888 during the period ended September 30, 2010.

(b) The fund compensates BNY Mellon Shareowner Services, a subsidiary of BNY Mellon and an affiliate of Dreyfus, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the fund. During the period ended September 30, 2010, the fund was charged \$108,724 pursuant to the transfer agency agreement, which is included in Shareholder servicing costs in the Statement of Operations.

The fund compensates The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, under a custody agreement for providing custodial services to the fund. During the period ended September 30, 2010, the fund was charged \$141,583 pursuant to the custody agreement.

The fund has an arrangement with the custodian bank whereby the fund receives earnings credits from the custodian when positive cash balances are maintained, which are used to offset custody fees. For

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financial reporting purposes, the fund includes net earnings credits, as an expense offset in the Statement of Operations.

During the period ended September 30, 2010, the fund was charged \$6,380 for services performed by the Chief Compliance Officer.

The components of Due to The Dreyfus Corporation and affiliates in the Statement of Assets and Liabilities consist of: management fees \$470,597, custodian fees \$22,416, chief compliance officer fees \$1,783 and transfer agency per account fees \$29,400 which are offset against an expense reimbursement currently in effect in the amount of \$62,080.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

NOTE 3 Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended September 30, 2010, amounted to \$190,338,680 and \$239,565,089, respectively.

**Inverse Floater Securities:** The fund participates in secondary inverse floater structures in which fixed-rate, tax-exempt municipal bonds purchased by the fund are transferred to a trust. The trust subsequently issues two or more variable rate securities that are collateralized by the cash flows of the fixed-rate, tax-exempt municipal bonds. One or more of these variable rate securities pays interest based on a short-term floating rate set by a remarketing agent at predetermined intervals. A residual interest tax-exempt security is also created by the trust, which is

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transferred to the fund, and is paid interest based on the remaining cash flow of the trust, after payment of interest on the other securities and various expenses of the trust.

The fund accounts for the transfer of bonds to the trust as secured borrowings, with the securities transferred remaining in the fund's investments, and the related floating rate certificate securities reflected as fund liabilities under the caption, "Payable for floating rate notes issued" in the Statement of Assets and Liabilities.

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### NOTES TO FINANCIAL STATEMENTS (continued)

The average amount of borrowings outstanding under the inverse floater structure during the period ended September 30, 2010, was approximately \$27,363,800, with a related weighted average annualized interest rate of .96%.

The provisions of ASC Topic 815 "Derivatives and Hedging" require qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The fund held no derivatives during the period ended September 30, 2010.

At September 30, 2010, the cost of investments for federal income tax purposes was \$703,345,369; accordingly, accumulated net unrealized appreciation on investments was \$40,430,907, consisting of \$52,460,999 gross unrealized appreciation and \$12,030,092 gross unrealized depreciation.

#### NOTE 4 Subsequent Events:

On October 29, 2010, the fund announced the following redemptions of APS at a price of \$25,000 per share plus any accrued and unpaid dividends through the redemption date.

| Series       | Shares Redeemed | Amount Redeemed (\$) | Redemption Date   |
|--------------|-----------------|----------------------|-------------------|
| M            | 56              | 1,400,000            | November 16, 2010 |
| T            | 56              | 1,400,000            | November 17, 2010 |
| W            | 56              | 1,400,000            | November 18, 2010 |
| TH           | 56              | 1,400,000            | November 19, 2010 |
| F            | 56              | 1,400,000            | November 15, 2010 |
| <b>Total</b> | <b>280</b>      | <b>7,000,000</b>     |                   |

On November 22, 2010, the Board of Directors declared a cash dividend of \$0.049 per share from investment income-net, payable to Common Shareholders of record as of the close of business on December 10, 2010.

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### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors  
Dreyfus Strategic Municipals, Inc.

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We have audited the accompanying statement of assets and liabilities of Dreyfus Strategic Municipals, Inc., including the statement of investments, as of September 30, 2010, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the years indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of September 30, 2010 by correspondence with the custodian and others. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Dreyfus Strategic Municipals, Inc. at September 30, 2010, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the indicated years, in conformity with U.S. generally accepted accounting principles.

New York, New York

November 23, 2010

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### ADDITIONAL INFORMATION (Unaudited)

#### Dividend Reinvestment and Cash Purchase Plan

Under the fund's Dividend Reinvestment and Cash Purchase Plan (the Plan), a holder of Common Stock who has fund shares registered in his name will have all dividends and distributions reinvested automatically by BNY Mellon Shareowner Services, as Plan administrator (the Administrator), in additional shares of the fund at the lower of prevailing market price or net asset value (but not less than 95% of market value at the time of valuation) unless such shareholder elects to receive cash as provided below. If market price is equal to or exceeds net asset value, shares will be issued at net asset value. If net asset value exceeds market price or if a cash dividend only is declared, the Administrator, as agent for the Plan participants, will buy fund shares in the open market. A Plan participant is not relieved of any income tax that may be payable on such dividends or distributions.

A Common Shareholder who owns fund shares registered in nominee name through his broker/dealer (i.e., in street name) may not participate in the Plan, but may elect to have cash dividends and distributions reinvested by his broker/dealer in additional shares of the fund if such service is provided by the broker/dealer; otherwise such dividends and distributions will be treated like any other cash dividend.

A Common Shareholder who has fund shares registered in his name may elect to withdraw from the Plan at any time for a \$2.50 fee and thereby elect to receive cash in lieu of shares of the fund. Changes in elections must be in writing, sent to The Bank of New York Mellon, c/o BNY Mellon Shareowner Services, Shareholder Investment Plan, P.O. Box 358035, Pittsburgh, PA 15252-8035, should include the shareholder's name and address as they appear on the Administrator's records and will be effective only if received more than fifteen days prior to the record date for any distribution.

A Plan participant who has fund shares in his name has the option of making additional cash payments to the Administrator, semi-annually, in any amount from \$1,000 to \$10,000, for investment in the fund's shares in the open market on or about January 15 and July 15. Any vol-



untary cash payments received more than 30 days prior to these dates will be returned by the Administrator, and interest will not be paid on any uninvested cash payments. A participant may withdraw a voluntary cash payment by written notice, if the notice is received by the Administrator not less than 48 hours before the payment is to be invested. A Common Shareholder who owns fund shares registered in street name should consult his broker/dealer to determine whether an additional cash purchase option is available through his broker/dealer.

The Administrator maintains all Common Shareholder accounts in the Plan and furnishes written confirmations of all transactions in the account. Shares in the account of each Plan participant will be held by the Administrator in non-certificated form in the name of the participant, and each such participant's proxy will include those shares purchased pursuant to the Plan.

The fund pays the Administrator's fee for reinvestment of dividends and distributions. Plan participants pay a pro rata share of brokerage commissions incurred with respect to the Administrator's open market purchases and purchases from voluntary cash payments, and a \$1.25 fee for each purchase made from a voluntary cash payment.

The fund reserves the right to amend or terminate the Plan as applied to any voluntary cash payments made and any dividend or distribution paid subsequent to notice of the change sent to Plan participants at least 90 days before the record date for such dividend or distribution. The Plan also may be amended or terminated by the Administrator on at least 90 days' written notice to Plan participants.

#### Level Distribution Policy

The fund's dividend policy is to distribute substantially all of its net investment income to its shareholders on a monthly basis. In order to provide shareholders with a more consistent yield to the current trading price of shares of Common Stock of the fund, the fund may at times pay out less than the entire amount of net investment income earned.

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#### ADDITIONAL INFORMATION (Unaudited) (continued)

in any particular month and may at times in any month pay out such accumulated but undistributed income in addition to net investment income earned in that month. As a result, the dividends paid by the fund for any particular month may be more or less than the amount of net investment income earned by the fund during such month.

#### Benefits and Risks of Leveraging

The fund utilizes leverage to seek to enhance the yield and net asset value of its Common Stock. These objectives cannot be achieved in all interest rate environments. To leverage, the fund has issued Preferred Stock, which pays dividends at prevailing short-term interest rates, and invests the proceeds in long-term municipal bonds. The interest earned on these investments is paid to Common Shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share net asset value of the fund's Common Stock. During the fiscal year ended September 30, 2010, the fund redeemed \$49,250,000 of its outstanding Preferred Stock, the leverage that had been provided by the redeemed Preferred Stock was replaced through the purchase of tax-exempt tender option bonds. Subsequent to the reporting period, in November 2010, the fund redeemed an additional \$7,000,000 of outstanding Preferred Stock, replacing the leverage of the redeemed Preferred Stock through the purchase of tax-exempt tender option bonds. In order for either of these forms of leverage to benefit Common Shareholders, the yield curve must be positively sloped: that is, short-term interest rates must be lower than long-term interest rates. At the same time, a period of generally declining interest rates will benefit Common Shareholders. If either of these conditions change along with other factors that may have an effect on preferred dividends or tender option bonds, then the risk of leveraging will begin to outweigh the benefits.

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#### Supplemental Information

For the period ended September 30, 2010, there were: (i) no material changes in the fund's investment objectives or policies, (ii) no changes in the fund's charter or by-laws that would delay or prevent a change of control of the fund, (iii) no material changes in the principal risk factors

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associated with investment in the fund, and (iv) no change in the person primarily responsible for the day-to-day management of the fund's portfolio.

### Certifications

The fund's then-current chief executive officer has certified to the NYSE, pursuant to the requirements of Section 303A.12(a) of the NYSE Listed Company Manual, that, as of July 19, 2010, he was not aware of any violation by the fund of applicable NYSE corporate governance listing standards. The fund's reports to the SEC on Form N-CSR contain certifications by the fund's chief executive officer and chief financial officer as required by Rule 30a-2(a) under the 1940 Act, including certifications regarding the quality of the fund's disclosures in such reports and certifications regarding the fund's disclosure controls and procedures and internal control over financial reporting.

The Fund **45**

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### IMPORTANT TAX INFORMATION (Unaudited)

In accordance with federal tax law, the fund hereby designates all the dividends paid from investment income-net during its fiscal year ended September 30, 2010 as exempt-interest dividends (not generally subject to regular federal income tax), except \$176,936 that is being designated as an ordinary income distribution for reporting purposes.

Where required by federal tax law rules, shareholders will receive notification of their portion of the fund's taxable ordinary dividends (if any) and capital gains distributions (if any) paid for the 2010 calendar year on Form 1099-DIV and their portion of the fund's tax-exempt dividends paid for the 2010 calendar year on Form 1099-INT, both of which will be mailed in early 2011.

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### PROXY RESULTS (Unaudited)

Holders of Common Stock and holders of APS voted together as a single class (except as noted below) on the following proposal presented at the annual shareholders' meeting held on June 17, 2010.

|                                  | Shares     |                    |
|----------------------------------|------------|--------------------|
|                                  | For        | Authority Withheld |
| To elect four Class I Directors: |            |                    |
| Joseph S. DiMartino              | 50,987,590 | 1,616,403          |
| William Hodding Carter III       | 50,823,639 | 1,780,354          |
| Joni Evans                       | 50,896,443 | 1,707,550          |
| Richard C. Leone                 | 50,973,467 | 1,630,526          |

*The terms of these Class I Directors expire in 2013.*

The Fund

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BOARD MEMBERS INFORMATION (Unaudited)

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BOARD MEMBERS INFORMATION (Unaudited) (continued)

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OFFICERS OF THE FUND (Unaudited)

**BRADLEY J. SKAPYAK, President since  
January 2010.**

Chief Operating Officer and a director of the Manager since June 2009. From April 2003 to June 2009, Mr. Skapyak was the head of the Investment Accounting and Support Department of the Manager. He is an officer of 76 investment companies (comprised of 170 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since February 1988.

**PHILLIP N. MAISANO, Executive Vice  
President since July 2007.**

Chief Investment Officer, Vice Chair and a director of the Manager, and an officer of 76 investment companies (comprised of 170 portfolios) managed by the Manager. Mr. Maisano also is an officer and/or Board member of certain other investment management subsidiaries of The Bank of New York Mellon Corporation, each of which is an affiliate of the Manager. He is 63 years old and has been an employee of the Manager since November 2006. Prior to joining the Manager, Mr. Maisano served as Chairman and Chief Executive Officer of EACM Advisors, an affiliate of the Manager, since August 2004.

**A. PAUL DISDIER, Executive Vice  
President since March 2000.**

Executive Vice President of the Fund, Director of the Manager's Municipal Securities Group, and an officer of 2 other investment companies (comprised of 2 portfolios) managed by the Manager. He is 54 years old and has been an employee of the Manager since February 1988.

**MICHAEL A. ROSENBERG, Vice President  
and Secretary since August 2005.**

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Assistant General Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. He is 50 years old and has been an employee of the Manager since October 1991.

**KIESHA ASTWOOD, Vice President and  
Assistant Secretary since January 2010.**

Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. She is 37 years old and has been an employee of the

**JAMES BITETTO, Vice President and  
Assistant Secretary since August 2005.**

Senior Counsel of BNY Mellon and Secretary of the Manager, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since December 1996.

**JONI LACKS CHARATAN, Vice President  
and Assistant Secretary since  
August 2005.**

Senior Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. She is 54 years old and has been an employee of the Manager since October 1988.

**JOSEPH M. CHIOFFI, Vice President and  
Assistant Secretary since August 2005.**

Senior Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since June 2000.

**KATHLEEN DENICHOLAS, Vice President  
and Assistant Secretary since  
January 2010.**

Senior Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. She is 35 years old and has been an employee of the Manager since February 2001.

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**JANETTE E. FARRAGHER, Vice President  
and Assistant Secretary since  
August 2005.**

Assistant General Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. She is 47 years old and has been an employee of the Manager since February 1984.

**JOHN B. HAMMALIAN, Vice President and  
Assistant Secretary since August 2005.**

Managing Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. He is 47 years old and has been an employee of the Manager since February 1991.

**M. CRISTINA MEISER, Vice President and  
Assistant Secretary since January 2010.**

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Senior Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. She is 40 years old and has been an employee of the Manager since August 2001.

**ROBERT R. MULLERY, Vice President and  
Assistant Secretary since August 2005.**

Managing Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. He is 58 years old and has been an employee of the Manager since May 1986.

**JEFF PRUSNOFSKY, Vice President and  
Assistant Secretary since August 2005.**

Managing Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since October 1990.

**JAMES WINDELS, Treasurer since  
November 2001.**

Director Mutual Fund Accounting of the Manager, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. He is 52 years old and has been an employee of the Manager since April 1985.

**RICHARD CASSARO, Assistant Treasurer  
since January 2007.**

Senior Accounting Manager Money Market and Municipal Bond Funds of the Manager, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since September 1982.

**GAVIN C. REILLY, Assistant Treasurer  
since December 2005.**

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. He is 42 years old and has been an employee of the Manager since April 1991.

**ROBERT ROBOL, Assistant Treasurer  
since August 2005.**

Senior Accounting Manager Fixed Income Funds of the Manager, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since October 1988.

The Fund 53

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OFFICERS OF THE FUND (Unaudited) *(continued)*

**ROBERT SALVILOLO, Assistant Treasurer  
since May 2007.**

Senior Accounting Manager Equity Funds of the Manager, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. He is 43 years old and has been an employee of the Manager since June 1989.

**ROBERT SVAGNA, Assistant Treasurer  
since August 2005.**

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Senior Accounting Manager Equity Funds of the Manager, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. He is 43 years old and has been an employee of the Manager since November 1990.

### **JOSEPH W. CONNOLLY, Chief Compliance**

**Officer since October 2004.**

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (77 investment companies, comprised of 195 portfolios). From November 2001 through March 2004, Mr. Connolly was first Vice-President, Mutual Fund Servicing for Mellon Global Securities Services. In that capacity, Mr. Connolly was responsible for managing Mellon's Custody, Fund Accounting and Fund Administration services to third-party mutual fund clients.

He is 53 years old and has served in various capacities with the Manager since 1980, including manager of the firm's Fund Accounting Department from 1997 through October 2001.

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## OFFICERS AND DIRECTORS

Dreyfus Strategic Municipals, Inc.

200 Park Avenue  
New York, NY 10166

*The Net Asset Value appears in the following publications: Barron's, Closed-End Bond Funds section under the heading Municipal Bond Funds every Monday; Wall Street Journal, Mutual Funds section under the heading Closed-End Bond Funds every Monday.*

*Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that the fund may purchase shares of its common stock in the open market when it can do so at prices below the then current net asset value per share.*

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# For More Information

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The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ( SEC ) for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC s website at <http://www.sec.gov> and may be reviewed and copied at the SEC s Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Information regarding how the fund voted proxies relating to portfolio securities for the most recent 12-month period ended June 30 is available on the SEC s website at <http://www.sec.gov> and without charge, upon request, by calling 1-800-645-6561.

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### **Item 2. Code of Ethics.**

The Registrant has adopted a code of ethics that applies to the Registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. There have been no amendments to, or waivers in connection with, the Code of Ethics during the period covered by this Report.

### **Item 3. Audit Committee Financial Expert.**

The Registrant's Board has determined that Ehud Houminer, a member of the Audit Committee of the Board, is an audit committee financial expert as defined by the Securities and Exchange Commission (the "SEC"). Ehud Houminer is "independent" as defined by the SEC for purposes of audit committee financial expert determinations.

### **Item 4. Principal Accountant Fees and Services.**

(a) Audit Fees. The aggregate fees billed for each of the last two fiscal years (the "Reporting Periods") for professional services rendered by the Registrant's principal accountant (the "Auditor") for the audit of the Registrant's annual financial statements or services that are normally provided by the Auditor in connection with the statutory and regulatory filings or engagements for the Reporting Periods, were \$37,830 in 2009 and \$37,830 in 2010.

(b) Audit-Related Fees. The aggregate fees billed in the Reporting Periods for assurance and related services by the Auditor that are reasonably related to the performance of the audit of the Registrant's financial statements and are not reported under paragraph (a) of this Item 4 were \$24,352 in 2009 and \$5,382 in 2010. These services consisted of one or more of the following: (i) agreed upon procedures related to compliance with Internal Revenue Code section 817(h), (ii) security counts required by Rule 17f-2 under the Investment Company Act of 1940, as amended, (iii) advisory services as to the accounting or disclosure treatment of Registrant transactions or events, (iv) advisory services to the accounting or disclosure treatment of the actual or potential impact to the Registrant of final or proposed rules, standards or interpretations by the Securities and Exchange Commission, the Financial Accounting Standards Boards or other regulatory or standard-setting bodies and (v) agreed upon procedures in evaluating compliance by the Fund with provisions of the Fund s articles supplementary, creating the series of auction rate preferred stock.

The aggregate fees billed in the Reporting Periods for non-audit assurance and related services by the Auditor to the Registrant's investment adviser (not including any sub-investment adviser whose role is primarily portfolio

management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the Registrant ("Service Affiliates"), that were reasonably related to the performance of the annual audit of the Service Affiliate, which required pre-approval by the Audit Committee were \$0 in 2009 and \$0 in 2010.

(c) Tax Fees. The aggregate fees billed in the Reporting Periods for professional services rendered by the Auditor for tax compliance, tax advice, and tax planning ("Tax Services") were \$3,782 in 2009 and \$3,588 in 2010. These services consisted of: (i) review or preparation of U.S. federal, state, local and excise tax returns; (ii) U.S. federal, state and local tax planning, advice and assistance regarding statutory, regulatory or administrative developments; (iii) tax advice regarding tax qualification matters and/or treatment of various financial instruments held or proposed to be acquired or held. The aggregate fees billed in the Reporting Periods for Tax Services by the Auditor to Service Affiliates, which required pre-approval by the Audit Committee were \$0 in 2009 and \$0 in 2010.



(d) All Other Fees. The aggregate fees billed in the Reporting Periods for products and services provided by the Auditor, other than the services reported in paragraphs (a) through (c) of this Item, were \$206 in 2009 and \$667 in 2010. [These services consisted of a review of the Registrant's anti-money laundering program].

The aggregate fees billed in the Reporting Periods for Non-Audit Services by the Auditor to Service Affiliates, other than the services reported in paragraphs (b) through (c) of this Item, which required pre-approval by the Audit Committee, were \$0 in 2009 and \$0 in 2010.

(e)(1) Audit Committee Pre-Approval Policies and Procedures. The Registrant's Audit Committee has established policies and procedures (the "Policy") for pre-approval (within specified fee limits) of the Auditor's engagements for non-audit services to the Registrant and Service Affiliates without specific case-by-case consideration. The pre-approved services in the Policy can include pre-approved audit services, pre-approved audit-related services, pre-approved tax services and pre-approved all other services. Pre-approval considerations include whether the proposed services are compatible with maintaining the Auditor's independence. Pre-approvals pursuant to the Policy are considered annually.

(e)(2) Note: None of the services described in paragraphs (b) through (d) of this Item 4 were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

(f) None of the hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year were attributed to work performed by persons other than the principal account's full-time, permanent employees.

Non-Audit Fees. The aggregate non-audit fees billed by the Auditor for services rendered to the Registrant, and rendered to Service Affiliates, for the Reporting Periods were \$25,619,110 in 2009 and \$29,311,662 in 2010.

Auditor Independence. The Registrant's Audit Committee has considered whether the provision of non-audit services that were rendered to Service Affiliates, which were not pre-approved (not requiring pre-approval), is compatible with maintaining the Auditor's independence.

#### **Item 5. Audit Committee of Listed Registrants.**

The Registrant has a separately-designated standing Audit Committee established in accordance with Section 3(a) (58)(A) of the Securities Exchange Act of 1934, consisting of the following members: Joseph S. DiMartino, David W. Burke, Hodding Carter III, Joni Evans, Ehud Houminer, Richard C. Leone, Hans C. Mautner, Robin A. Melvin, Burton N. Wallack and John E. Zuccotti of applicable.

#### **Item 6. Investments.**

(a) Not applicable.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

Not applicable. [CLOSED-END FUNDS ONLY]

**Item 8. Portfolio Managers of Closed-End Management Investment Companies.**

(a) (1) The following information is as of November 29, 2010, the date of the filing of this report:

James Welch manages the Registrant.

(a) (2) The following information is as of the Registrant's most recently completed fiscal year, except where otherwise noted:

**Portfolio Managers.** The Manager manages the Fund's portfolio of investments in accordance with the stated policies of the Fund, subject to the approval of the Fund's Board members. The Manager is responsible for investment decisions and provides the Fund with portfolio managers who are authorized by the Fund's Board to execute purchases and sales of securities. The Fund's portfolio managers are James Welch, Joseph P. Darcy, Christine Todd, Steven Harvey, Thomas Casey and Daniel Marques. The Manager also maintains a research department with a professional staff of portfolio managers and securities analysts who provide research services for the Fund and for other funds advised by the Manager.

**Portfolio Manager Compensation.** The portfolio managers' cash compensation is comprised primarily of a market-based salary and an incentive compensation plan (annual and long term incentive). Each Fund's portfolio managers are compensated by Dreyfus or its affiliates and not by the Fund. Funding for Standish Mellon Asset Management Company LLC (SMAM) Annual Incentive Plan and Long Term Incentive Plan is through a pre-determined fixed percentage of overall company performance. Therefore, all bonus awards are based initially on SMAM's performance. The investment professionals are eligible to receive annual cash bonus awards from the incentive compensation plan. Annual awards are granted in March, for the prior calendar year. Individual awards for portfolio managers are discretionary, based on product performance relative to both benchmarks and peer comparisons and goals established at the beginning of each calendar year. Goals are to a substantial degree based on investment performance, including performance for one and three year periods. Also considered in determining individual awards are team participation and general contributions to SMAM.

All portfolio managers are also eligible to participate in the SMAM Long Term Incentive Plan. This plan provides for an annual award, payable in deferred cash that cliff vests after 3 years, with an interest rate equal to the average year over year earnings growth of SMAM (capped at 20% per year). Management has discretion with respect to actual participation.

Portfolio managers whose compensation exceeds certain levels may elect to defer portions of their base salaries and/or incentive compensation pursuant to BNY Mellon's Elective Deferred Compensation Plan.

**Additional Information About Portfolio Managers.** The following table lists the number and types of other accounts advised by the Fund's primary portfolio manager and assets under management in those accounts as of the end of the Fund's fiscal year:

| <b><u>Portfolio Manager</u></b> | <b><u>Registered Investment Company Accounts</u></b> | <b><u>Assets Managed</u></b> | <b><u>Pooled Accounts</u></b> | <b><u>Assets Managed</u></b> | <b><u>Other Accounts</u></b> | <b><u>Assets Managed</u></b> |
|---------------------------------|--|------------------------------|-------------------------------|------------------------------|------------------------------|------------------------------|
| James Welch                     | 10   | \$6.05 billion               | 0                             | 0                            | 20                           | \$525.3 million              |

None of the funds or accounts are subject to a performance-based advisory fee.

The dollar range of Fund shares beneficially owned by the primary portfolio manager are as follows as of the end of the Fund's fiscal year:

| <b><u>Portfolio Manager</u></b> | <b><u>Registrant Name</u></b>      | <b><u>Dollar Range of Registrant<br/>Shares Beneficially Owned</u></b> |
|---------------------------------|------------------------------------|--|
| James Welch                     | Dreyfus Strategic Municipals, Inc. | None   |

Portfolio managers may manage multiple accounts for a diverse client base, including mutual funds, separate accounts (assets managed on behalf of institutions such as pension funds, insurance companies and foundations), bank common trust accounts and wrap fee programs (“Other Accounts”).

Potential conflicts of interest may arise because of Dreyfus’ management of the Fund and Other Accounts. For example, conflicts of interest may arise with both the aggregation and allocation of securities transactions and allocation of limited investment opportunities, as Dreyfus may be perceived as causing accounts it manages to participate in an offering to increase Dreyfus’ overall allocation of securities in that offering, or to increase Dreyfus’ ability to participate in future offerings by the same underwriter or issuer. Allocations of bunched trades, particularly trade orders that were only partially filled due to limited availability and allocation of investment opportunities generally, could raise a potential conflict of interest, as Dreyfus may have an incentive to allocate securities that are expected to increase in value to preferred accounts. Initial public offerings, in particular, are frequently of very limited availability. Additionally, portfolio managers may be perceived to have a conflict of interest if there are a large number of Other Accounts, in addition to the Fund, that they are managing on behalf of Dreyfus. Dreyfus periodically reviews each portfolio manager’s overall responsibilities to ensure that he or she is able to allocate the necessary time and resources to effectively manage the Fund. In addition, Dreyfus could be viewed as having a conflict of interest to the extent that Dreyfus or its affiliates and/or portfolio managers have a materially larger investment in Other Accounts than their investment in the Fund.

Other Accounts may have investment objectives, strategies and risks that differ from those of the Fund. For these or other reasons, the portfolio manager may purchase different securities for the Fund and the Other Accounts, and the performance of securities purchased for the Fund may vary from the performance of securities purchased for Other Accounts. The portfolio manager may place transactions on behalf of Other Accounts that are directly or indirectly contrary to investment decisions made for the Fund, which could have the potential to adversely impact the Fund, depending on market conditions.

A potential conflict of interest may be perceived to arise if transactions in one account closely follow related transactions in another account, such as when a purchase increases the value of securities previously purchased by the other account, or when a sale in one account lowers the sale price received in a sale by a second account.

Dreyfus’ goal is to provide high quality investment services to all of its clients, while meeting Dreyfus’ fiduciary obligation to treat all clients fairly. Dreyfus has adopted and implemented policies and procedures, including brokerage and trade allocation policies and procedures that it believes address the conflicts associated with managing multiple accounts for multiple clients. In addition, Dreyfus monitors a variety of areas, including compliance with Fund guidelines, the allocation of IPOs, and compliance with the firm’s Code of Ethics. Furthermore, senior investment and business personnel at Dreyfus periodically review the performance of the portfolio managers for Dreyfus-managed funds.

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers.**

Not applicable. [CLOSED-END FUNDS ONLY]

**Item 10. Submission of Matters to a Vote of Security Holders.**

There have been no material changes to the procedures applicable to Item 10.

**Item 11. Controls and Procedures.**

(a) The Registrant's principal executive and principal financial officers have concluded, based on their evaluation of the Registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report, that the Registrant's disclosure controls and procedures are reasonably designed to ensure that information required to be disclosed by the Registrant on Form N-CSR is recorded, processed, summarized and reported within the required time periods and that information required to be disclosed by the Registrant in the reports that it files or submits on Form N-CSR is accumulated and communicated to the Registrant's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) There were no changes to the Registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

**Item 12. Exhibits.**

(a)(1) Code of ethics referred to in Item 2.

(a)(2) Certifications of principal executive and principal financial officers as required by Rule 30a-2(a) under the Investment Company Act of 1940.

(a)(3) Not applicable.

(b) Certification of principal executive and principal financial officers as required by Rule 30a-2(b) under the Investment Company Act of 1940.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

DREYFUS STRATEGIC MUNICIPALS, INC.

By: /s/ Bradley J. Skapyak  
Bradley J. Skapyak,

President

Date: November 22, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Bradley J. Skapyak  
Bradley J. Skapyak,

President

Date: November 22, 2010

By: /s/ James Windels  
James Windels,

Treasurer

Date: November 22, 2010

## EXHIBIT INDEX

(a)(1) Code of ethics referred to in Item 2.

(a)(2) Certifications of principal executive and principal financial officers as required by Rule 30a-2(a) under the Investment Company Act of 1940. (EX-99.CERT)

(b) Certification of principal executive and principal financial officers as required by Rule 30a-2(b) under the Investment Company Act of 1940. (EX-99.906CERT)





