

DREYFUS STRATEGIC MUNICIPAL BOND FUND INC

Form N-CSR

July 28, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT

INVESTMENT COMPANIES

Investment Company Act file number 811-5877

Dreyfus Strategic Municipal Bond Fund, Inc.

(Exact name of Registrant as specified in charter)

c/o The Dreyfus Corporation

200 Park Avenue

New York, New York 10166

(Address of principal executive offices) (Zip code)

Michael A. Rosenberg, Esq.

200 Park Avenue

New York, New York 10166

(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 922-6000

Date of fiscal year end:

11/30

Date of reporting period:

5/31/08

FORM N-CSR

Item 1. Reports to Stockholders.

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THE FUND

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Dreyfus
Strategic Municipal Bond Fund, Inc.

The Fund

A LETTER FROM THE CEO

Dear Shareholder:

We present to you this semiannual report for Dreyfus Strategic Municipal Bond Fund, Inc., covering the six-month period from December 1, 2007, through May 31, 2008.

Although the U.S. economy has teetered on the brink of recession and the financial markets have encountered heightened volatility in an ongoing credit crisis, the Federal Reserve Board's aggressive easing of monetary policy and innovative measures to inject liquidity into the banking system appear to have reassured many investors and economists. With that, 2008 has certainly proven to be one of the more memorable for the municipal markets. Despite concerns stemming from the Auction-Rate securities markets and the recent Supreme Court decision in support of the legality of state and local municipals' tax-exempt status, the general municipal markets have rallied strongly over the last few months as price dislocations have dissipated.

At Dreyfus, we believe that the current economic downturn is likely to be relatively brief by historical standards, but the ensuing recovery may be gradual and prolonged as financial deleveraging and housing price deflation continue to weigh on economic activity. The implications of our economic outlook for the municipal bond market generally are positive, especially since, on a relative basis, municipal securities remain attractively valued compared to taxable alternatives. Your financial advisor can help you assess current risks and take advantage of these opportunities within the context of your overall investment portfolio.

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

Thank you for your continued confidence and support.

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DISCUSSION OF FUND PERFORMANCE

For the period of December 1, 2007, through May 31, 2008, as provided by James Welch, Senior Portfolio Manager

Fund Performance Overview

For the six-month period ended May 31, 2008, Dreyfus Strategic Municipal Bond Fund achieved a total return of

0.96% on a net-asset-value basis.¹ Over the same period, the fund provided aggregate income dividends of \$0.24 per share, which reflects an annualized distribution rate of 5.98% .2

The Fund's Investment Approach

The fund seeks to maximize current income exempt from federal income tax to the extent believed by Dreyfus to be consistent with the preservation of capital. In pursuing this goal, the fund invests at least 80% of its assets in municipal bonds. Under normal market conditions, the weighted average maturity of the fund's portfolio is expected to exceed 10 years. Municipal bonds are classified as general obligation bonds, revenue bonds and notes. Under normal market conditions, the fund invests at least 80% of its net assets in municipal bonds considered investment grade or the unrated equivalent as determined by Dreyfus.

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

Over time, many of the fund's older, higher yielding bonds have matured or were redeemed by their issuers. We have attempted to replace those bonds with investments consistent with the fund's investment policies. We have also sought to upgrade the fund with newly issued bonds that, in our opinion, have better structural or income characteristics than existing holdings. When such opportunities arise, we usually look to sell

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DISCUSSION OF FUND PERFORMANCE (continued)

bonds that are close to their optimal redemption date or maturity. In addition, we conduct credit analysis of the fund's holdings in an attempt to avoid potential defaults on interest and principal payments.

Municipal Bonds Suffered in the Credit Crisis

The reporting period began amid a credit crisis originating in the sub-prime mortgage market, where an unexpectedly high number of homeowners defaulted on their loans. This development sent shock-waves throughout the financial markets as investors reassessed their attitudes toward risk. The sub-prime meltdown produced massive losses among bond insurers, many of which had written insurance on both mortgage-backed securities and municipal bonds. Municipal bond investors responded negatively when insurers came under financial pressure. In addition, selling pressure increased when highly leveraged institutional investors were forced to sell creditworthy investments, including municipal bonds, to meet margin calls.

The effects of the credit crisis were exacerbated by slower economic growth amid declining housing prices, soaring energy costs and a softer job market. Aggressive reductions of short-term interest rates by the Federal Reserve Board have not yet forestalled further economic deterioration, sparking concerns that states and municipalities may soon face greater fiscal pressures.

Defensive Positioning Supported Fund Performance

In this turbulent environment, the fund continued to generate competitive levels of income from its core holdings of seasoned bonds, which were acquired at higher yields than are available today. However, because some of those holdings have matured or have been redeemed early by their issuers, the fund's Board approved a reduction of the fund's dividend payout in February to a level that better reflects the fund's current income generating ability.

In addition, we maintained the fund's focus on higher-quality securities during bouts of heightened volatility. Indeed, at the start of the reporting period, yield differences along the credit quality spectrum were relatively

narrow compared to historical averages, and it made little sense to us to incur the risks of lower-rated bonds. Moreover, the work of our credit research analysts enabled the fund to avoid the full brunt of weakness affecting bonds issued by economically sensitive companies. Like other municipal bond funds, the fund's holdings of bonds carrying third-party insurance³ performed relatively poorly.

The fund issued preferred shares on which dividend rates are periodically reset through bank-managed auctions. During the reporting period, several of these auctions failed to attract enough bidders, and the rate paid to preferred shareholders was consequently reset based on a Reference Rate as explained in the fund's prospectus. The short-term rate paid to preferred shareholders during the reporting period did not affect the dividends paid to the fund's common shareholders.

Maintaining Caution in a Distressed Market

As of the reporting period's end, the financial markets have remained unsettled, and economic conditions have continued to falter. Therefore, we currently intend to maintain a defensive investment posture until we see clearer signs that the worst of the downturn is behind us.

June 16, 2008

- ¹ Total return includes reinvestment of dividends and any capital gains paid, based upon net asset value per share. Past performance is no guarantee of future results. Income may be subject to state and local taxes, and some income may be subject to the federal alternative minimum tax (AMT) for certain investors. Capital gains, if any, are fully taxable. Return figure provided reflects the absorption of certain expenses by The Dreyfus Corporation pursuant to an undertaking in effect through October 31, 2008. Had these expenses not been absorbed, the fund's return would have been lower.
- ² Annualized distribution rate per share is based upon dividends per share paid from net investment income during the period, annualized, divided by the market price per share at the end of the period, adjusted for any capital gain distributions.
- ³ Third-party insurance on individual securities does not extend to the market value of the portfolio securities or the value of the fund's shares.

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STATEMENT OF INVESTMENTS

May 31, 2008 (Unaudited)

Long-Term Municipal Investments	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Alaska 4.1%				
Alaska Housing Finance Corporation, General Mortgage Revenue (Insured; MBIA, Inc.)				
	6.05	6/1/39	11,915,000	12,002,575
Alaska Housing Finance Corporation, Single-Family Residential Mortgage Revenue (Veterans Mortgage Program)				
	6.25	6/1/35	4,180,000	4,259,295
Arizona 1.5%				
Apache County Industrial				

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Development Authority, PCR (Tucson Electric Power Company Project)	5.85	3/1/28	2,220,000	2,135,618
Pima County Industrial Development Authority, Education Revenue (American Charter Schools Foundation Project)	5.50	7/1/26	4,000,000	3,808,400
Arkansas 6.6%				
Arkansas Development Finance Authority, SFMR (Mortgage Backed Securities Program) (Collateralized: FNMA and GNMA)	6.25	1/1/32	2,425,000	2,494,040
California 6.0%				
California, GO (Various Purpose)	5.25	11/1/27	4,240,000	4,385,093
California Department of Veteran Affairs, Home Purchase Revenue	5.20	12/1/28	2,950,000	2,951,239
California Educational Facilities Authority, Revenue (University of Southern California)	4.50	10/1/33	10,000,000	9,736,800
California Enterprise Development Authority, Sewage Facilities Revenue (Anheuser-Busch Project)	5.30	9/1/47	1,000,000	928,790
California Health Facilities Financing Authority, Revenue (Cedars-Sinai Medical Center)	6.25	12/1/09	3,750,000 ^a	4,014,487
Silicon Valley Tobacco Securitization Authority, Tobacco Settlement Asset-Backed Bonds (Santa Clara County Tobacco Securitization Corporation)	0.00	6/1/36	15,290,000 ^b	1,945,347

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Colorado 4.0%				
Colorado Health Facilities Authority, Revenue (American Baptist Homes of the Midwest Obligated Group)	5.90	8/1/37	2,500,000	2,236,425
Colorado Health Facilities Authority, Revenue (American Housing Foundation I, Inc. Project)	8.50	12/1/31	1,920,000	2,010,221

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Colorado Housing Finance Authority (Single Family Program) (Collateralized; FHA) Denver City and County, Special Facilities Airport Revenue (United Air Lines Project)	6.60	8/1/32	1,640,000	1,746,961
Northwest Parkway Public Highway Authority, Revenue	5.75	10/1/32	3,000,000	2,236,350
Connecticut 4.3% Connecticut Development Authority, PCR (Connecticut Light and Power Company Project)	7.13	6/15/11	7,000,000 ^a	7,904,190
Connecticut Resources Recovery Authority, Special Obligation Revenue (American REF-FUEL Company of Southeastern Connecticut Project)	5.95	9/1/28	9,000,000	8,946,630
Mohegan Tribe of Indians of Connecticut Gaming Authority, Priority Distribution Payment Public Improvement Revenue	6.45	11/15/22	4,985,000	4,984,651
District of Columbia 2.3% District of Columbia Tobacco Settlement Financing Corporation, Tobacco Settlement Asset-Backed Bonds Metropolitan Washington Airports Authority, Special Facility Revenue (Caterair International Corporation)	6.25	1/1/31	3,470,000	3,318,396
Florida 5.6% Escambia County, EIR (International Paper Company Project)	0.00	6/15/46	104,040,000 ^b	6,115,471
	10.13	9/1/11	3,100,000	3,102,170

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

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

	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Florida (continued) Florida Housing Finance Corporation, Housing Revenue				

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(Seminole Ridge Apartments) (Collateralized; GNMA)	6.00	4/1/41	6,415,000	6,466,320
Highlands County Health Facilities Authority, HR (Adventist Health System/Sunbelt Obligated Group)	5.25	11/15/36	5,000,000	4,938,000
Jacksonville Economic Development Commission, Health Care Facilities Revenue (Florida Proton Therapy Institute Project)	6.25	9/1/27	2,095,000	2,127,829
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/09	70,000 ^a	74,080
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/26	3,675,000	3,760,113
Orange County Health Facilities Authority, Revenue (Adventist Health System)	6.25	11/15/12	3,000,000 ^a	3,386,610
Georgia 2.5%				
Atlanta, Airport Revenue (Insured; FSA)	5.25	1/1/25	3,000,000	3,024,720
Augusta, Airport Revenue	5.45	1/1/31	2,500,000	2,233,225
Georgia Housing and Finance Authority, SFMR	5.60	12/1/32	2,090,000	2,211,805
Savannah Economic Development Authority, EIR (International Paper Company Project)	6.20	8/1/27	2,670,000	2,611,500
Idaho 1.1%				
Idaho Housing and Finance Association, SFMR (Collateralized; FNMA)	6.35	1/1/30	290,000	293,434
Illinois 9.5%				
Chicago, SFMR (Collateralized: FHLMC, FNMA and GNMA)	6.25	10/1/32	1,605,000	1,648,078

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

Illinois (continued)

	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Chicago O'Hare International Airport, General Airport Third Lien Revenue (Insured; XLCA)	6.00	1/1/29	5,000,000	5,179,250

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Chicago O'Hare International Airport, Special Facility Revenue (American Airlines, Inc. Project)	5.50	12/1/30	4,000,000	2,176,640
Illinois Educational Facilities Authority, Revenue (Northwestern University)	5.00	12/1/38	11,715,000	11,912,046
Illinois Health Facilities Authority, Revenue (Advocate Health Care Network)	6.13	11/15/10	5,000,000 ^a	5,435,100
Illinois Health Facilities Authority, Revenue (OSF Healthcare System)	6.25	11/15/09	10,900,000 ^a	11,603,050
Indiana 1.6%				
Franklin Township School Building Corporation, First Mortgage Bonds	6.13	7/15/10	6,000,000 ^a	6,582,900
Louisiana 6.2%				
Lakeshore Villages Master Community Development District, Special Assessment Revenue	5.25	7/1/17	1,987,000	1,790,128
Louisiana Local Government Environmental Facilities and Community Development Authority, Revenue (Westlake Chemical Corporation Projects)	6.75	11/1/32	4,000,000	4,020,720
Parish of Saint John the Baptist, Revenue (Marathon Oil Corporation Project)	5.13	6/1/37	12,000,000	11,343,120
West Feliciana Parish, PCR (Entergy Gulf States Project)	7.00	11/1/15	3,000,000	3,029,790
West Feliciana Parish, PCR (Entergy Gulf States Project)	6.60	9/1/28	4,700,000	4,702,773

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
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Maryland 1.9%

Maryland Economic Development

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Corporation, Senior Student Housing Revenue (University of Maryland, Baltimore Project)	5.75	10/1/33	2,550,000	2,221,433
Maryland Industrial Development Financing Authority, EDR (Medical Waste Associates Limited Partnership Facility)	8.75	11/15/10	3,710,000	3,167,301
Prince Georges County, Special Obligation Revenue (National Harbor Project)	5.20	7/1/34	2,500,000	2,117,550
Massachusetts 2.1%				
Massachusetts Health and Educational Facilities Authority, Revenue (Civic Investments Issue)	9.00	12/15/12	2,000,000 ^a	2,422,260
Massachusetts Health and Educational Facilities Authority, Revenue (Partners HealthCare System Issue)	5.75	7/1/32	115,000	120,405
Massachusetts Housing Finance Agency, SFHR	5.00	12/1/31	6,000,000	5,697,900
Michigan 4.5%				
Kent Hospital Finance Authority, Revenue (Metropolitan Hospital Project)	6.00	7/1/35	4,000,000	4,018,040
Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	8,120,000	7,724,962
Michigan Tobacco Settlement Finance Authority, Tobacco Settlement Asset-Backed Bonds	6.00	6/1/48	6,900,000	6,152,730
Minnesota 3.4%				
Saint Paul Housing and Redevelopment Authority, Hospital Facility Revenue (HealthEast Project)	6.00	11/15/25	1,405,000	1,429,854
Saint Paul Housing and Redevelopment Authority, Hospital Facility Revenue (HealthEast Project)	6.00	11/15/35	12,000,000	12,031,800

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Long-Term Municipal Investments (continued)

Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
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Mississippi 1.1%

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Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project)	5.90	5/1/22	4,260,000	4,237,805
Missouri 2.1%				
Missouri Health and Educational Facilities Authority, Health Facilities Revenue (BJC Health System)	5.25	5/15/32	8,400,000	8,476,356
Nebraska 2.2%				
Nebraska Investment Finance Authority, SFMR	8.56	3/1/26	800,000 ^{c,d}	819,624
Nevada 2.8%				
Clark County, IDR (Nevada Power Company Project)	5.60	10/1/30	3,000,000	2,592,870
Washoe County, GO Convention Center Revenue (Reno-Sparks Convention and Visitors Authority) (Insured; FSA)	6.40	1/1/10	8,000,000 ^a	8,516,240
New Hampshire 3.6%				
New Hampshire Business Finance Authority, PCR (Public Service Company of New Hampshire Project) (Insured; MBIA, Inc.)	6.00	5/1/21	2,690,000	2,747,835
New Hampshire Business Finance Authority, PCR (Public Service Company of New Hampshire Project) (Insured; MBIA, Inc.)	6.00	5/1/21	6,000,000	6,129,000
New Hampshire Industrial Development Authority, PCR (Connecticut Light and Power Company Project)	5.90	11/1/16	5,400,000	5,468,148
New Jersey 3.9%				
New Jersey Economic Development Authority, Special Facility Revenue (Continental Airlines, Inc. Project)	6.25	9/15/19	4,620,000	3,985,397
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds	7.00	6/1/13	10,095,000 ^a	11,836,589

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
New York 7.0%				
Austin Trust (Port Authority of New York and New Jersey, Consolidated Bonds, 151th Series)	6.00	9/15/28	10,000,000 ^{d,e}	10,911,650
New York City Industrial Development Agency, Special Facility Revenue (American Airlines, Inc. John F. Kennedy International Airport Project)	8.00	8/1/28	3,000,000	2,935,560
New York City Industrial Development Agency, Special Facility Revenue (American Airlines, Inc. John F. Kennedy International Airport Project)	7.75	8/1/31	10,000,000	9,500,100
New York State Dormitory Authority, Revenue (Marymount Manhattan College) (Insured; Radian)	6.25	7/1/29	4,000,000	4,127,240
New York State Dormitory Authority, Revenue (Suffolk County Judicial Facility)	9.50	4/15/14	605,000	794,595
North Carolina 1.3%				
North Carolina Eastern Municipal Power Agency, Power System Revenue	6.70	1/1/19	2,500,000	2,616,650
North Carolina Housing Finance Agency, Home Ownership Revenue	5.88	7/1/31	2,635,000	2,643,722
Ohio 5.2%				
Buckeye Tobacco Settlement Financing Authority, Tobacco Settlement Asset-Backed Bonds	6.50	6/1/47	7,000,000	6,560,540
Cuyahoga County, Hospital Facilities Revenue (UHHS/CSAHS-Cuyahoga, Inc. and CSAHS/UHHS-Canton, Inc. Project)	7.50	1/1/30	3,500,000	3,742,165
Cuyahoga County, Hospital Improvement Revenue (The Metrohealth Systems Project)	6.15	2/15/09	8,115,000 ^a	8,420,692

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Long-Term Municipal	Coupon	Maturity	Principal
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Investments (continued)	Rate (%)	Date	Amount (\$)	Value (\$)
Ohio (continued)				
Port of Greater Cincinnati Development Authority, Tax Increment Development Revenue (Fairfax Village Red Bank Infrastructure Project)	5.63	2/1/36	2,530,000	2,235,432
Oklahoma 1.9%				
Oklahoma Development Finance Authority, Revenue (Saint John Health System)	6.00	2/15/29	2,250,000	2,306,993
Oklahoma Industries Authority, Health System Revenue (Obligated Group) (Insured; MBIA, Inc.)	5.75	8/15/09	2,105,000 ^a	2,217,323
Oklahoma Industries Authority, Health System Revenue (Obligated Group) (Insured; MBIA, Inc.)	5.75	8/15/09	2,895,000 ^a	3,049,477
Pennsylvania 2.9%				
Allegheny County Port Authority, Special Transportation Revenue (Insured; MBIA, Inc.)	6.13	3/1/09	4,750,000 ^a	4,944,180
Pennsylvania Economic Development Financing Authority, SWDR (USG Corporation Project)	6.00	6/1/31	7,000,000	6,518,190
Pennsylvania Housing Finance Agency, Multi-Family Development Revenue	8.25	12/15/19	241,000	241,465
South Carolina 10.0%				
Greenville County School District, Installment Purchase Revenue (Building Equity Sooner for Tomorrow)	5.50	12/1/12	19,000,000 ^{a,d,e}	21,202,290
Greenville Hospital System, Hospital Facilities Revenue (Insured; AMBAC)	5.50	5/1/26	7,000,000	7,342,790
Medical University of South Carolina, Hospital Facilities Revenue	6.00	7/1/09	5,000,000 ^a	5,259,600
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STATEMENT OF INVESTMENTS (Unaudited) (continued)

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
South Carolina (continued)				
Richland County, EIR (International Paper Company Project)	6.10	4/1/23	6,500,000	6,505,980
Tennessee 4.9%				
Johnson City Health and Educational Facilities Board, Hospital First Mortgage Revenue (Mountain States Health Alliance)	7.50	7/1/12	2,000,000 ^a	2,383,420
Johnson City Health and Educational Facilities Board, Hospital First Mortgage Revenue (Mountain States Health Alliance)	7.50	7/1/12	4,875,000 ^a	5,809,586
Knox County Health, Educational and Housing Facility Board, Revenue (University Health System, Inc.)	5.25	4/1/36	5,000,000	4,774,600
Memphis Center City Revenue Finance Corporation, Sports Facility Revenue (Memphis Redbirds Baseball Foundation Project)	6.50	9/1/28	6,000,000	5,302,140
Tennessee Housing Development Agency (Homeownership Program)	6.00	1/1/28	1,340,000	1,355,785
Texas 25.3%				
Brazos River Harbor Navigation District, Revenue (The Dow Chemical Company Project)	5.13	5/15/33	7,300,000	6,575,183
Cities of Dallas and Fort Worth, Dallas/Fort Worth International Airport, Facility Improvement Corporation Revenue (Learjet Inc. Project)	6.15	1/1/16	3,000,000	2,872,860
Gregg County Health Facilities Development Corporation, HR (Good Shepherd Medical Center Project) (Insured; Radian)	6.38	10/1/10	2,500,000 ^a	2,747,100

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Long-Term Municipal	Coupon	Maturity	Principal
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Investments (continued)	Rate (%)	Date	Amount (\$)	Value (\$)
Texas (continued)				
Gulf Coast Industrial Development Authority, Environmental Facilities Revenue (Microgy Holdings Project)	7.00	12/1/36	5,000,000	4,347,200
Harris County Health Facilities Development Corporation, HR (Memorial Hermann Healthcare System)	6.38	6/1/11	7,000,000 ^a	7,745,010
Harris County Hospital District, Senior Lien Revenue (Insured; MBIA, Inc.)	5.25	2/15/42	5,000,000	5,088,750
Harris County-Houston Sports Authority, Third Lien Revenue (Insured; MBIA, Inc.)	0.00	11/15/31	9,685,000 ^b	2,425,511
Katy Independent School District, Unlimited Tax School Building Bonds (Permanent School Fund Guarantee Program)	6.13	2/15/09	10,000,000 ^a	10,296,600
Lubbock Housing Financing Corporation, SFMR (Collateralized: FNMA and GNMA)	6.70	10/1/30	1,065,000	1,083,137
North Texas Tollway Authority, System Revenue	5.75	1/1/40	15,000,000	15,456,000
Sabine River Authority, PCR (TXU Electric Company Project)	6.45	6/1/21	4,900,000	4,370,996
Texas (Veterans Housing Assistance Program) (Collateralized; FHA)	6.10	6/1/31	8,510,000	8,652,543
Texas (Veterans <input type="checkbox"/> Land)	6.00	12/1/30	3,935,000	4,036,720
Texas Department of Housing and Community Affairs, Home Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	10.36	7/2/24	1,100,000 ^c	1,181,081

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Texas (continued)				
Texas Department of Housing and Community Affairs, Residential Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	5.35	7/1/33	5,110,000	5,026,605
Texas Turnpike Authority, Central Texas Turnpike System Revenue (Insured; AMBAC)	5.25	8/15/42	5,375,000	5,411,442
Tomball Hospital Authority, Revenue (Tomball Regional Hospital)	6.00	7/1/25	4,650,000	4,704,405
Tyler Health Facilities Development Corporation, HR, Refunding and Improvement Bonds (East Texas Medical Center Regional Healthcare System Project)	5.25	11/1/32	6,915,000	6,109,402
Willacy County Local Government Corporation, Project Revenue	6.88	9/1/28	4,000,000	3,964,080
Virginia 4.4%				
Henrico County Industrial Development Authority, Revenue (Bon Secours Health System) (Insured; FSA)	7.26	8/23/27	7,500,000 ^c	8,866,800
Virginia Housing Development Authority, Rental Housing Revenue	6.20	8/1/24	8,520,000	8,696,108
Washington 2.6%				
Washington Higher Educational Facilities Authority, Revenue (Whitman College)	5.88	10/1/09	10,000,000 ^a	10,496,500
West Virginia 2.2%				
The County Commission of Pleasants County, PCR (Allegheny Energy Supply Company, LLC Pleasants Station Project)	5.25	10/15/37	1,000,000	972,230

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Wisconsin 7.5%				

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Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	6.13	6/1/27	8,960,000 ^{d,e}	8,929,178
Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	7.00	6/1/28	14,570,000	15,086,944
Wisconsin Health and Educational Facilities Authority, Revenue (Aurora Health Care, Inc.)	6.40	4/15/33	5,500,000	5,667,090
Wisconsin Health and Educational Facilities Authority, Revenue (Marshfield Clinic)	5.38	2/15/34	500,000	482,740
Total Investments (cost \$597,488,178)			147.1%	590,267,758
Liabilities, Less Cash and Receivables			(.7%)	(2,938,319)
Preferred Stock, at redemption value			(46.4%)	(186,000,000)
Net Assets Applicable to Common Shareholders			100.0%	401,329,439

^a These securities are prerefunded; the date shown represents the prerefunded date. Bonds which are prerefunded are collateralized by U.S. Government securities which are held in escrow and are used to pay principal and interest on the municipal issue and to retire the bonds in full at the earliest refunding date.

^b Security issued with a zero coupon. Income is recognized through the accretion of discount.

^c Inverse floater security—the interest rate is subject to change periodically.

^d Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At May 31, 2008, these securities amounted to \$41,862,742 or 10.4% of net assets applicable to Common Shareholders.

^e Collateral for floating rate borrowings.

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Summary of Abbreviations

ABAG	Association of Bay Area Governments	ACA	American Capital Access
AGC	ACE Guaranty Corporation	AGIC	Asset Guaranty Insurance Company
AMBAC	American Municipal Bond Assurance Corporation	ARRN	Adjustable Rate Receipt Notes
BAN	Bond Anticipation Notes	BIGI	Bond Investors Guaranty Insurance
BPA	Bond Purchase Agreement	CGIC	Capital Guaranty Insurance Company
CIC	Continental Insurance Company	CIFG	CDC Ixis Financial Guaranty
CMAC	Capital Market Assurance Corporation	COP	Certificate of Participation
CP	Commercial Paper	EDR	Economic Development Revenue

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

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Summary of Combined Ratings (Unaudited)

Fitch	or	Moody's	or	Standard & Poor's	Value (%) [□]
AAA		Aaa		AAA	25.9
AA		Aa		AA	16.0
A		A		A	14.8
BBB		Baa		BBB	24.7
BB		Ba		BB	4.3
B		B		B	5.0
CCC		Caa		CCC	.4
Not Rated ^f		Not Rated ^f		Not Rated ^f	8.9
					100.0

[□] Based on total investments.

^f Securities which, while not rated by Fitch, Moody's and Standard & Poor's, have been determined by the Manager to be of comparable quality to those rated securities in which the fund may invest.

See notes to financial statements.

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STATEMENT OF ASSETS AND LIABILITIES

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May 31, 2008 (Unaudited)

	Cost	Value
Assets (\$):		
Investments in securities—See Statement of Investments	597,488,178	590,267,758
Interest receivable		10,939,512
Receivable for investment securities sold		6,249,246
Prepaid expenses		7,240
		607,463,756
Liabilities (\$):		
Due to The Dreyfus Corporation and affiliates—Note 3(a)		328,090
Cash overdraft due to Custodian		409,105
Payable for floating rate notes issued—Note 4		18,980,000
Interest and expense payable related to floating rate notes issued—Note 4		230,567
Dividends payable to Preferred Shareholders		30,233
Commissions payable		16,493
Accrued expenses and other liabilities		139,829
		20,134,317
Auction Preferred Stock, Series A, B and C, par value \$.001 per share (7,440 shares issued and outstanding at \$25,000 per share liquidation value)—Note 1		186,000,000
Net Assets applicable to Common Shareholders (\$)		401,329,439
Composition of Net Assets (\$):		
Common Stock, par value, \$.001 per share (48,495,729 shares issued and outstanding)		48,496
Paid-in capital		438,512,524
Accumulated undistributed investment income—net		123,208
Accumulated net realized gain (loss) on investments		(30,134,369)
Accumulated net unrealized appreciation (depreciation) on investments		(7,220,420)
Net Assets applicable to Common Shareholders (\$)		401,329,439
Common Shares Outstanding (110 million shares of \$.001 par value Common Stock authorized)		48,495,729
Net Asset Value per share of Common Stock (\$)		8.28

See notes to financial statements.

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Six Months Ended May 31, 2008 (Unaudited)

Investment Income (\$):

Interest Income	17,968,902
Expenses:	
Investment advisory fee>Note 3(a)	1,484,038
Administration fee>Note 3(a)	742,019
Commission fees>Note 1	246,294
Interest and expense related to floating rate notes issued>Note 4	228,997
Professional fees	39,891
Directors' fees and expenses>Note 3(b)	30,643
Shareholders' reports	29,458
Registration fees	21,449
Custodian fees>Note 3(a)	11,099
Shareholder servicing costs	10,468
Miscellaneous	38,194
Total Expenses	2,882,550
Less:reduction in investment advisory fee due to undertaking>Note 3(a)	(296,808)
Less:reduction in fees due to earnings credits>Note 1(b)	(6,589)
Net Expenses	2,579,153
Investment Income	15,389,749

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

Net realized gain (loss) on investments	(461,434)
Net realized gain (loss) on financial futures	172,237
Net Realized Gain (Loss)	(289,197)
Net unrealized appreciation (depreciation) on investments	(16,092,450)
Net Realized and Unrealized Gain (Loss) on Investments	(16,381,647)
Dividends on Preferred Stocks	(3,362,386)
Net (Decrease) in Net Assets Resulting from Operations	(4,354,284)

See notes to financial statements.

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STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended May 31, 2008 (Unaudited)	Year Ended November 30, 2007
Operations (\$):		
Investment income	15,389,749	30,270,973
Net realized gain (loss) on investments	(289,197)	(1,701,613)
Net unrealized appreciation (depreciation) on investments	(16,092,450)	(26,819,891)
Dividends on Preferred Stocks	(3,362,386)	(6,818,806)

Net Increase (Decrease) in Net Assets Resulting from Operations	(4,354,284)	(5,069,337)
Dividends to Common Shareholders from (\$):		
Investment income^{net}	(11,493,488)	(24,269,212)
Capital Stock Transactions (\$):		
Dividends reinvested ^{Note 1(c)}	□	1,916,979
Total Increase (Decrease) in Net Assets	(15,847,772)	(27,421,570)
Net Assets (\$):		
Beginning of Period	417,177,211	444,598,781
End of Period	401,329,439	417,177,211
Undistributed (distributions in excess of) investment income ^{net}	123,208	(410,667)
Capital Share Transactions (Common Shares):		
Increase in Common Shares Outstanding as a Result of Dividends Reinvested	□	210,887

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

	Six Months Ended May 31, 2008 (Unaudited)	Year Ended November 30,				
		2007	2006	2005	2004	2003
Per Share Data (\$):						
Net asset value, beginning of period	8.60	9.21	8.88	8.79	8.90	8.56
Investment Operations:						
Investment income ^{net}	.32	.62	.64	.63	.61	.64
Net realized and unrealized gain (loss) on investments	(.33)	(.59)	.34	.13	(.06)	.36
Dividends on Preferred Stock from investment income ^{net}	(.07)	(.14)	(.13)	(.08)	(.05)	(.06)
Total from Investment Operations	(.08)	(.11)	.85	.68	.50	.94

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Distributions to

Common Shareholders:

Dividends from investment

income net	(.24)	(.50)	(.52)	(.59)	(.61)	(.60)
Net asset value, end of period	8.28	8.60	9.21	8.88	8.79	8.90
Market value, end of period	7.93	7.77	9.29	8.16	8.41	8.81
Total Return (%) ^b	5.11 ^c	(1.17)	9.94	3.78	2.48	19.89

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FINANCIAL HIGHLIGHTS (continued)

	Six Months Ended May 31, 2008	Year Ended November 30,				
	(Unaudited)	2007	2006	2005	2004	2003
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets applicable to Common Stock ^d	1.41 ^e	1.43	1.38	1.26	1.26	1.28
Ratio of net expenses to average net assets applicable to Common Stock ^d	1.27 ^e	1.28	1.24	1.12	1.25	1.28
Ratio of net investment income to average net assets applicable to Common Stock ^d	7.55 ^e	7.01	7.16	6.98	6.96	7.35
Ratio of total expenses to total average net assets	.97 ^e	1.00	.97	.88	.88	.86
Ratio of net expenses to total average net assets	.87 ^e	.90	.87	.78	.86	.86
Ratio of net investment income to total average net assets	5.19 ^e	4.90	5.01	4.88	4.84	5.10
Portfolio Turnover Rate	25.16 ^c	55.89	57.12	44.20	39.94	77.92
Asset coverage of Preferred Stock, end of period	316	324	339	330	328	330
Net Assets, net of Preferred Stock, end of period (\$ x 1,000)	401,329	417,177	444,599	428,466	423,556	428,301
Preferred Stock outstanding, end of period (\$ x 1,000)	186,000	186,000	186,000	186,000	186,000	186,000

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

- b *Calculated based on market value.*
- c *Not annualized.*
- d *Does not reflect the effect of dividends to Preferred Stock shareholders.*
- e *Annualized.*

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS (Unaudited)

NOTE 1 Significant Accounting Policies:

Dreyfus Strategic Municipal Bond Fund, 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 believed by the fund's investment adviser to be 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. PFPC Global Fund Services ("PFPC"), a subsidiary of PNC Bank ("PNC"), serves as the fund's transfer agent, dividend-paying agent, registrar and plan agent. The fund's Common Stock trades on the New York Stock Exchange under the ticker symbol DSM.

The fund has outstanding 2,480 shares of Series A, Series B and Series C for a total of 7,440 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. Deutsche Bank Trust Company Americas, 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 .25% of the purchase price of the shares of APS placed by the broker-dealer in an auction.

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.

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

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NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

The fund's financial statements are prepared in accordance with U.S. generally accepted accounting principles, 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 securities 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 Financial Accounting Standards Board (FASB) released Statement of Financial Accounting Standards No. 157 Fair Value Measurements (FAS 157). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. The application of FAS 157 is required for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years.

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Various inputs are used in determining the value of the fund's investments relating to FAS 157.

These inputs are summarized in the three broad levels listed below.

Level 1 quoted prices in active markets for identical securities.

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

Level 3 significant unobservable inputs (including 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 May 31, 2008 in valuing the fund's investments carried at fair value:

Valuation Inputs	Investments in Securities (\$)	Other Financial Instruments (\$) [□]
Level 1 Quoted Prices	0	0
Level 2 Other Significant Observable Inputs	590,267,758	0
Level 3 Significant Unobservable Inputs	0	0
Total	590,267,758	0

[□]Other financial instruments include derivative instruments such as futures, forward currency exchange contracts and swap contracts, which are valued at the unrealized appreciation (depreciation) on the instrument.

(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.

NOTES TO FINANCIAL STATEMENTS (Unaudited) *(continued)*

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

(c) Dividends to shareholders of Common Stock (Common Shareholder(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 frequent 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 U.S. generally accepted accounting principles.

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) based on the record date's respective prices. If the net asset value per share on the record date is lower than the market price per share, shares will be issued by the fund at the record date's net asset value on the payable date of the distribution. If net asset value per share is less than 95% of the market value, shares will be issued by the fund at 95% of the market value. If the market price is lower than the net asset value per share on the record date, PFPC will purchase fund shares in the open market commencing on the payable date and reinvest those shares accordingly. As a result of purchasing fund shares in the open market, fund shares outstanding will not be affected by this form of reinvestment.

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On May 29, 2008, the Board of Directors declared a cash dividend of \$.0385 per share from investment income-net, payable on June 30, 2008 to Common Shareholders of record as of the close of business on June 12, 2008.

(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. Dividends rates as of May 31, 2008 for each Series of APS were as follows: Series A 2.59%, Series B 2.48% and Series C 2.59%. These rates reflect the "maximum rates" under the governing instruments as a result of "failed auctions" in which sufficient clearing bids are not received.

(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.

During the current year, the fund adopted FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. The adoption of FIN 48 had no impact on the operations of the fund for the period ended May 31, 2008.

As of and during the period ended May 31, 2008, the fund did not have any liabilities for any unrecognized tax benefits. The fund recog-

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NOTES TO FINANCIAL STATEMENTS (Unaudited) *(continued)*

nizes interest and penalties, if any, related to unrecognized tax benefits 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 three-year period ended November 30, 2007, remains subject to examination by the Internal Revenue Service and state taxing authorities.

The fund has an unused capital loss carryover of \$29,836,167 available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to November 30, 2007. If not applied, \$2,280,744 of the carryover expires in fiscal 2008, \$442,201 expires in fiscal 2009, \$9,253,314 expires in fiscal 2010, \$5,474,907 expires in fiscal 2011, \$10,957,023 expires in fiscal 2012 and \$1,427,978 expires in fiscal 2015.

The tax character of distributions paid to shareholders during the fiscal year ended November 30, 2007 was as follows: tax exempt income \$31,088,018. The tax character of current year distributions will be determined at the end of the current fiscal year.

NOTE 2—Bank Line of Credit:

Effective May 1, 2008, the fund participates with other Dreyfus-managed funds in a \$300 million unsecured line of credit primarily to be utilized for temporary or emergency purposes. Interest is charged to the fund based on prevailing market rates in effect at the time of borrowing. Prior to May 1, 2008, the fund participated with other Dreyfus-managed funds in a \$100 million unsecured line of credit. During the period ended May 31, 2008, the fund did not borrow under the line of credit.

NOTE 3—Investment Advisory Fee, Administration Fee and Other Transactions With Affiliates:

(a) The fee payable by the fund, pursuant to the provisions of an Investment Advisory Agreement with Dreyfus, is payable monthly based on an annual rate of .50% of the value of the fund's average

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weekly net assets (including net assets representing auction preferred stock outstanding). The fund also has an Administration Agreement with Dreyfus, a Custody Agreement with the Custodian and a Transfer Agency and Registrar Agreement with PFPC. The fund pays in the aggregate for administration, custody and transfer agency services a monthly fee based on an annual rate of .25% of the value of the fund's average weekly net assets (including net assets representing auction preferred stock outstanding); out-of-pocket transfer agency and custody expenses are paid separately by the fund.

Dreyfus has agreed through October 31, 2008, to waive receipt of a portion of the fund's investment advisory 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 investment advisory fee, pursuant to the undertaking, amounted to \$296,808 during the period ended May 31, 2008.

The fund compensates Mellon Bank, N.A. (Mellon Bank), a subsidiary of BNY Mellon and a Dreyfus affiliate, under a custody agreement for providing custodial services for the fund. During the period ended May 31, 2008, the fund was charged \$11,099 pursuant to the custody agreement.

During the period ended May 31, 2008, the fund was charged \$2,820 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: investment advisory fees \$373,331, custodian fees \$2,186 and chief compliance officer fees \$2,350, which are offset against an expense reimbursement currently in effect in the amount of \$49,777.

(b) 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.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

NOTE 4 Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities and financial futures during the period ended May 31, 2008, amounted to \$149,781,483 and \$164,714,542, respectively.

The fund may participate 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 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.

The fund may invest in financial futures contracts in order to gain exposure to or protect against changes in the market. The fund is exposed to market risk as a result of changes in the value of the underlying financial instruments. Investments in financial futures require the fund to "mark to market" on a daily basis, which reflects the change in market value of the contracts at the close of each day's trading. Accordingly, variation margin payments are received or made to reflect daily unrealized gains or losses. When the contracts are closed, the fund recognizes a realized gain or loss. These investments require initial margin deposits with a broker, which consist of cash or cash equivalents.

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The amount of these deposits is determined by the exchange or Board of Trade on which the contract is traded and is subject to change. At May 31, 2008, there were no financial futures contracts outstanding.

At May 31, 2008, accumulated net unrealized depreciation on investments was \$7,220,420, consisting of \$18,764,123 gross unrealized appreciation and \$25,984,543 gross unrealized depreciation.

At May 31, 2008, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

In March 2008, the FASB released Statement of Financial Accounting Standards No. 161 "Disclosures about Derivative Instruments and Hedging Activities" ("FAS 161"). FAS 161 requires 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 application of FAS 161 is required for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. At this time, management is evaluating the implications of FAS 161 and its impact on the financial statements and the accompanying notes has not yet been determined.

NOTE 5 Subsequent Event:

Effective July 1, 2008, BNY Mellon has reorganized and consolidated a number of its banking and trust company subsidiaries. As a result of the reorganization, any services previously provided to the fund by Mellon Bank, N.A. or Mellon Trust of New England, N.A. are now provided by The Bank of New York, which has changed its name to The Bank of New York Mellon.

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Item 2. Code of Ethics.

Not applicable.

Item 3. Audit Committee Financial Expert.

Not applicable.

Item 4. Principal Accountant Fees and Services.

Not applicable.

Item 5. Audit Committee of Listed Registrants.

Not applicable.

Item 6. Schedule of Investments.

(a) Not applicable.

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

Not applicable.

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

Not applicable.

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

None.

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

The Registrant has a Nominating Committee (the "Committee"), which is responsible for selecting and nominating persons for election or appointment by the Registrant's Board as Board members. The Committee has adopted a Nominating Committee Charter (the "Charter"). Pursuant to the Charter, the Committee will consider recommendations for nominees from shareholders submitted to the Secretary of the Registrant, c/o The Dreyfus Corporation Legal Department, 200 Park Avenue, 8th Floor East, New York, New York 10166. A nomination submission must include information regarding the recommended nominee as specified in the Charter. This information includes all information relating to a recommended nominee that is required to be disclosed in solicitations or proxy statements for the election of Board members, as well as information sufficient to evaluate the factors to be considered by the Committee, including character and integrity, business and professional experience, and whether the person has the ability to apply sound and independent business judgment and would act in the interests of the Registrant and its shareholders.

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Nomination submissions are required to be accompanied by a written consent of the individual to stand for election if nominated by the Board and to serve if elected by the shareholders, and such additional information must be provided regarding the recommended nominee as reasonably requested by the Committee.

(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) Not applicable.
- (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.

Item 11. Controls and Procedures.

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 Municipal Bond Fund, Inc.

By: /s/ J. David Officer
J. David Officer
President

Date: July 23, 2008

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/ J. David Officer
J. David Officer
President

Date: July 23, 2008

By: /s/ James Windels
James Windels
Treasurer

Date: July 23, 2008

EXHIBIT INDEX

(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)
