

DREYFUS STRATEGIC MUNICIPALS INC
Form N-CSR
May 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 811-5245

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: 3/31/08

FORM N-CSR

Item 1. Reports to Stockholders.

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.

Not FDIC-Insured □ Not Bank-Guaranteed □ May Lose Value

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The Fund

**Dreyfus
Strategic Municipals, Inc.**

A LETTER FROM THE CEO

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Strategic Municipals, Inc., covering the six-month period from October 1, 2007, through March 31, 2008.

The reporting period proved to be one of the more challenging periods for municipal bond investors in recent memory. The U.S. economy continues to sputter under the weight of a weakening housing market, and a credit crisis that originated in the U.S. sub-prime mortgage sector continues to disrupt other areas of the financial markets. The municipal bond markets have been further pressured by major bond insurers, which presently still face potential rating downgrades, making their ability to continue to do business unlikely. Particularly hard-hit were lower-rated municipal bonds and those carrying third-party insurance from such independent bond insurers.

The Federal Reserve Board and the U.S. government have adopted stimulative monetary and fiscal policies in an effort to boost market liquidity and the economy. While it is too early to tell how effective their actions will be, the time is right to position your portfolio for the investment challenges and opportunities that may arise. As always, we encourage you to stay in close contact with your financial advisor, who can help you maintain a disciplined approach and a long-term perspective, which historically have been key to investment success over the long run.

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 October 1, 2007, through March 31, 2008, as provided by W. Michael Petty, Senior Portfolio Manager

Fund and Market Performance Overview

For the six-month period ended March 31, 2008, Dreyfus Strategic Municipals achieved a total return of 2.38% (on a net asset value basis).¹ During the same period, the fund provided income dividends of \$0.252 per share, which is equal to a distribution rate of 5.92%.²

Municipal bonds suffered along with many other asset classes as a fixed-income credit crisis and U.S. economic slowdown intensified during the reporting period. While the fund's performance was affected by these challenging market conditions, a defensive investment posture, including a relatively short average duration, helped protect it from the full brunt of market volatility.

The Fund's Investment Approach

The fund's investment objective is to maximize current income exempt from federal income tax to the extent consistent with the preservation of capital. Under normal market conditions, the fund invests at least 80% of its net assets in municipal obligations. Generally, the fund invests at least 50% of its net assets in municipal bonds

considered investment grade or the unrated equivalent as determined by Dreyfus in the case of bonds, and in the two highest-rating categories or the unrated equivalent as determined by Dreyfus in the case of short-term obligations having or deemed to have maturities of less than one year.

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

Over time, many of the fund's relatively higher-yielding bonds mature or are redeemed by their issuers, and we generally attempt to replace those bonds, as opportunities arise, with investments consistent with the fund's investment policies. When we believe an opportunity exists,

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DISCUSSION OF FUND PERFORMANCE *(continued)*

we also may seek to upgrade the portfolio's investments with newly issued bonds that, in our opinion, have better structural or income characteristics than existing holdings.

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. Because many of these companies had written insurance on both mortgage-backed securities and municipal bonds, municipal bond investors responded negatively when insurers came under financial pressure.

The effects of the credit crisis were exacerbated by slower economic growth as declining housing prices, soaring energy costs and a softer job market put pressure on consumer spending. Aggressive reductions of short-term interest rates by the Federal Reserve Board and a fiscal stimulus package from Congress have not yet forestalled further economic deterioration. The economic slowdown also led to concerns that states and municipalities may soon face greater fiscal pressures.

Defensive Positioning Supported Fund Performance

In this turbulent market environment, we set the fund's average duration — a measure of sensitivity to changing interest rates — in a position we considered shorter than industry averages, which helped protect the fund from heightened market volatility and enabled it to participate more fully in relative strength in the intermediate-term part of the market's maturity range. While the fund invested in a number of bonds with third-party insurance, relatively few of its holdings carried insurance from the more troubled bond insurers. Finally, the fund benefited from a higher-than-usual cash balance, which we deployed into short-term tax-exempt instruments such as variable rate demand notes and auction-rate securities, which offered generous yields due to temporary supply-and-demand imbalances.

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While the fund's holdings of lower-rated, corporate-backed and tobacco-related municipal bonds were hurt by selling pressure during the "flight to quality" among investors, our bond selection strategy's unwavering focus on credit research enabled the fund to avoid the full brunt of weakness affecting bonds issued by many economically sensitive companies.

On the other hand, the fund's leveraging strategy was impacted during the latter part of the reporting period. The fund has issued preferred shares on which dividend rates are periodically reset through auctions. During the latter part of the reporting period, these auctions failed to attract enough bidders, and the rate paid to preferred shareholders was consequently reset based on a reference rate as provided in the fund's initial public offering documents. The short-term rate paid to the 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. While we have begun to identify fundamentally sound municipal bonds that may have been punished too severely, we have held off on purchasing them until we see clearer signs that the worst of the downturn is behind us.

April 15, 2008

¹ Total return includes reinvestment of dividends and any capital gains paid, based upon net asset value per share. Past performance is no guarantee of future results. Market price per share, net asset value per share and investment return fluctuate. Income may be subject to state and local taxes, and some income may be subject to the federal alternative minimum tax (AMT) for certain investors. Capital gains, if any, are fully taxable. Return figure provided reflects the absorption of certain fund expenses by The Dreyfus Corporation pursuant to an agreement in effect until October 31, 2008, at which time it may be extended, modified or terminated. Had these expenses not been absorbed, the fund's return would have been lower.

² Distribution rate per share is based upon dividends per share paid from net investment income during the period, divided by the market price per share at the end of the period.

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STATEMENT OF INVESTMENTS

March 31, 2008 (Unaudited)

Long-Term Municipal Investments	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Investments 159.8%				
Alabama 1.6%				
Houston County Health Care Authority, GO (Insured; AMBAC)	6.25	10/1/09	8,000,000 ^a	8,584,400
Alaska .8%				
Alaska Housing Finance Corporation, General Mortgage Revenue (Insured; MBIA)	6.00	6/1/49	4,000,000	4,053,000
Arizona 3.2%				
Arizona Health Facilities Authority, Health Care Facilities Revenue (The Beatitudes Campus Project)	5.10	10/1/22	3,000,000	2,598,510
Maricopa County Pollution Control Corporation, PCR (Public Service Company of New Mexico Palo Verde Project)	5.75	11/1/22	6,000,000	5,801,520
Navajo County Industrial Development Authority, IDR (Stone Container Corporation Project)	7.40	4/1/26	1,585,000	1,584,889

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Scottsdale Industrial Development Authority, HR (Scottsdale Healthcare)	5.80	12/1/11	6,000,000 ^a	6,695,940
Arkansas 5.5%				
Arkansas Development Finance Authority, SFMR (Mortgage Backed Securities Program) (Collateralized: FNMA and GNMA)	6.25	1/1/32	2,420,000	2,493,471
California 13.3%				
California, GO	5.25	4/1/34	5,000	5,025
California, GO (Various Purpose)	5.50	4/1/14	3,385,000 ^a	3,839,572
California, GO (Various Purpose) (Insured; AMBAC)	4.25	12/1/35	7,475,000	6,496,149
California Health Facilities Financing Authority, Revenue (Cedars-Sinai Medical Center)	5.00	11/15/34	9,900,000	9,297,090

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
California (continued)				
California Pollution Control Financing Authority, SWDR (Keller Canyon Landfill Company Project)	6.88	11/1/27	2,000,000	1,999,880
California Public Works Board, LR Department of General Services (Butterfield State Office Complex)	5.25	6/1/30	5,000,000	5,005,550
California Statewide Communities Development Authority, Revenue (Bentley School)	6.75	7/1/32	2,000,000	2,039,900
Golden State Tobacco Securitization Corporation, Enhanced Tobacco Settlement Asset-Backed Bonds (Insured; FGIC)	5.00	6/1/38	15,000,000 ^b	14,654,100
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	7.80	6/1/13	8,100,000 ^a	9,774,270
Golden State Tobacco				

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Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	7.90	6/1/13	2,000,000 ^a	2,422,380
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/33	5,775,000	4,839,334
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	5.75	6/1/47	7,050,000	6,248,274
San Francisco Bay Area Rapid Transit District, GO	5.00	8/1/32	3,000,000	3,029,460
Colorado 4.7%				
Beacon Point Metropolitan District, GO	6.25	12/1/35	2,000,000	1,702,740

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Colorado (continued)				
Colorado Health Facilities Authority, Revenue (American Baptist Homes of the Midwest Obligated Group)	5.90	8/1/37	3,000,000	2,638,230
Colorado Housing Finance Authority (Single Family Program) (Collateralized; FHA)	6.60	8/1/32	1,645,000	1,756,301
Denver City and County, Special Facilities Airport Revenue (United Air Lines Project)	5.75	10/1/32	5,000,000	4,070,700
Northwest Parkway Public Highway Authority, Revenue	7.13	6/15/11	10,750,000 ^a	12,149,758
Southlands Metropolitan District Number 1, GO	7.13	12/1/14	2,000,000 ^a	2,439,060
Florida 4.4%				
Florida Housing Finance Corporation, Housing Revenue (Nelson Park Apartments) (Insured; FSA)	6.40	3/1/40	5,000	5,091
Jacksonville Economic Development Commission, Health Care				

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Facilities Revenue (Florida Proton Therapy Institute Project)	6.25	9/1/27	3,500,000	3,376,030
Municipal Securities Trust Certificates (Florida Housing Finance Corporation, Housing Revenue—Nelson Park Apartments) (Insured; FSA)	6.40	3/1/40	12,375,000 ^{c,d}	12,599,359
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/09	45,000 ^a	48,025
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System) Orlando, Senior Tourist Development Tax Revenue (6th Cent Contract Payments) (Insured; Assured Guaranty)	6.00	10/1/26	1,955,000	1,996,954
	5.25	11/1/38	5,000,000	4,962,100

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Long-Term Municipal Investments (continued)

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

Georgia—2.2%

Brooks County Development Authority, Senior Health and Housing Facilities Revenue (Presbyterian Home, Quitman, Inc.) (Collateralized; GNMA)	5.70	1/20/39	4,445,000	4,590,485
Fulton County Development Authority, Revenue (Georgia Tech North Avenue Apartments Project) (Insured; XLCA)	5.00	6/1/32	2,500,000	2,424,775
Milledgeville-Baldwin County Development Authority, Revenue (Georgia College and State Foundation)	6.00	9/1/13	2,090,000	2,403,730
Milledgeville-Baldwin County Development Authority, Revenue (Georgia College and State Foundation)	6.00	9/1/14	2,000,000 ^a	2,335,100

Hawaii—4%

Hawaii Department of Transportation, Special Facility Revenue (Caterair International Corporation)	10.13	12/1/10	2,000,000	1,992,540
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Idaho 0.6%

Power County Industrial
Development Corporation, SWDR
(FMC Corporation Project)

6.45 8/1/32 3,250,000 3,269,403

Illinois 10.8%

Chicago
(Insured; FGIC)

6.13 7/1/10 14,565,000 ^a 15,909,058

Chicago,
SFMR (Collateralized: FHLMC,
FNMA and GNMA)

6.55 4/1/33 2,445,000 2,490,428

Chicago,
Wastewater Transmission
Revenue (Insured; MBIA)
Chicago O'Hare International
Airport, Special Facility Revenue
(American Airlines, Inc. Project)

6.00 1/1/10 3,000,000 ^a 3,219,900
5.50 12/1/30 5,000,000 3,370,700

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

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

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

Illinois (continued)

Illinois Educational Facilities
Authority, Revenue
(Northwestern University)

5.00 12/1/38 5,000,000 4,953,150

Illinois Educational Facilities
Authority, Revenue (University
of Chicago) (Insured; MBIA)

5.13 7/1/08 5,000 ^a 5,092

Illinois Health Facilities
Authority, Revenue (Advocate
Health Care Network)

6.13 11/15/10 4,020,000 ^a 4,391,810

Illinois Health Facilities
Authority, Revenue (OSF
Healthcare System)

6.25 11/15/09 7,730,000 ^a 8,287,178

Illinois Health Facilities
Authority, Revenue (Swedish
American Hospital)

6.88 5/15/10 4,950,000 ^a 5,372,928

Lombard Public Facilities
Corporation, Conference Center
and Hotel First Tier Revenue
Metropolitan Pier and Exposition
Authority, Dedicated State Tax
Revenue (McCormick Place

7.13 1/1/36 3,500,000 3,515,960

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Expansion) (Insured; MBIA)	5.25	6/15/42	5,325,000	5,356,098
Indiana 2.2%				
Franklin Township School Building Corporation, First Mortgage Bonds Petersburg, SWDR (Indianapolis Power and Light Company Project)	6.13	7/15/10	6,500,000 ^a	7,168,785
SWDR (Indianapolis Power and Light Company Project)	6.38	11/1/29	4,150,000	4,218,683
Kansas 6.1%				
Kansas Development Finance Authority, Health Facilities Revenue (Sisters of Charity of Leavenworth Health Services Corporation)	6.25	12/1/28	3,000,000	3,158,400
Sedgwick and Shawnee Counties, SFMR (Mortgage-Backed Securities Program) (Collateralized: FHLMC, FNMA and GNMA)	5.25	12/1/38	3,805,000	3,859,868

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Long-Term Municipal Investments (continued)

	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Kansas (continued)				
Sedgwick and Shawnee Counties, SFMR (Mortgage-Backed Securities Program) (Collateralized: FNMA and GNMA)	6.30	12/1/32	3,950,000	4,013,556
Sedgwick and Shawnee Counties, SFMR (Mortgage-Backed Securities Program) (Collateralized: FNMA and GNMA)	6.45	12/1/33	8,055,000	8,445,345
Sedgwick and Shawnee Counties, SFMR (Mortgage-Backed Securities Program) (Collateralized: FNMA and GNMA)	5.70	12/1/35	2,210,000	2,300,964
Wichita, Hospital Facilities Improvement Revenue (Via Christi Health System Inc.)	6.25	11/15/24	10,000,000	10,414,300
Kentucky 2.3%				
Kentucky Area Development Districts Financing Trust, COP				

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(Lease Acquisition Program) Kentucky Economic Development Finance Authority, MFHR (Christian Care Communities Projects) (Collateralized; GNMA)	5.50	5/1/27	2,000,000	2,063,720
Kentucky Economic Development Finance Authority, MFHR (Christian Care Communities Projects) (Collateralized; GNMA)	5.25	11/20/25	2,370,000	2,441,953
Kentucky Economic Development Finance Authority, MFHR (Christian Care Communities Projects) (Collateralized; GNMA)	5.38	11/20/35	1,805,000	1,821,624
Ohio County, PCR (Big Rivers Electric Corporation Project) (Insured; AMBAC)	12.00	10/1/22	6,000,000 ^e	6,000,000
Louisiana 1.7%				
Lakeshore Villages Master Community Development District, Special Assessment Revenue	5.25	7/1/17	2,982,000	2,652,310

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Louisiana (continued)				
Louisiana Local Government Environmental Facilities and Community Development Authority, Revenue (Westlake Chemical Corporation Projects)	6.75	11/1/32	5,000,000	4,794,650
Saint James Parish, SWDR (Freeport-McMoRan Partnership Project)	7.70	10/1/22	1,405,000	1,405,787
Maine 0.5%				
Maine Housing Authority, Mortgage Purchase	5.30	11/15/23	2,825,000	2,865,285
Maryland 1.9%				
Maryland Community Development Administration, Department of Housing and Community Development, Residential Revenue	5.75	9/1/37	2,430,000	2,526,422
Maryland Economic Development Corporation, Senior Student Housing Revenue (University of Maryland, Baltimore Project)	5.75	10/1/33	4,500,000	3,871,035

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Maryland Economic Development Corporation, Student Housing Revenue (University of Maryland, College Park Project)	6.50	6/1/13	3,000,000 ^a	3,509,880
Massachusetts 2.6%				
Massachusetts Health and Educational Facilities Authority, Revenue (Civic Investments Issue)	9.00	12/15/12	1,700,000 ^a	2,061,981
Massachusetts Health and Educational Facilities Authority, Revenue (Partners HealthCare System Issue)	5.75	7/1/11	4,815,000 ^a	5,324,812
Massachusetts Health and Educational Facilities Authority, Revenue (Partners HealthCare System Issue)	5.75	7/1/32	185,000	189,717
Massachusetts Industrial Finance Agency, RRR (Ogden Haverhill Project)	5.60	12/1/19	6,000,000	5,985,780

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Long-Term Municipal Investments (continued)

	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Michigan 7.3%				
Charyl Stockwell Academy, COP	5.90	10/1/35	2,580,000	2,285,545
Detroit School District, School Building and Site Improvement Bonds (GO Unlimited Tax) (Insured; FGIC)	5.00	5/1/28	6,930,000	6,945,107
Kent Hospital Finance Authority, Revenue (Metropolitan Hospital Project)	6.00	7/1/35	5,930,000	5,781,869
Kent Hospital Finance Authority, Revenue (Metropolitan Hospital Project)	6.25	7/1/40	3,000,000	3,006,570
Michigan Hospital Finance Authority, Revenue (Ascension Health Credit Group)	6.13	11/15/09	5,000,000 ^a	5,366,350
Michigan Strategic Fund, LOR (The Detroit Edison Company Exempt Facilities Project) (Insured; XLCA)	5.25	12/15/32	3,000,000	2,914,860

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Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	12,900,000	12,208,173
Minnesota 6.7%				
Dakota County Community Development Agency, SFMR (Mortgage-Backed Securities Program) (Collateralized: FHLMC, FNMA and GNMA)	5.15	12/1/38	2,455,490	2,424,403
Dakota County Community Development Agency, SFMR (Mortgage-Backed Securities Program) (Collateralized: FHLMC, FNMA and GNMA)	5.30	12/1/39	4,830,351	4,890,875
Duluth Economic Development Authority, Health Care Facilities Revenue (Saint Luke's Hospital)	7.25	6/15/32	5,000,000	5,176,500
North Oaks, Senior Housing Revenue (Presbyterian Homes of North Oaks, Inc. Project)	6.25	10/1/47	5,265,000	5,163,701

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Minnesota (continued)				
Saint Paul Housing and Redevelopment Authority, Hospital Facility Revenue (HealthEast Project)	6.00	11/15/25	2,000,000	1,964,660
Saint Paul Housing and Redevelopment Authority, Hospital Facility Revenue (HealthEast Project)	6.00	11/15/30	5,500,000	5,324,495
Saint Paul Housing and Redevelopment Authority, Hospital Facility Revenue (HealthEast Project)	6.00	11/15/35	2,000,000	1,875,900
Saint Paul Port Authority, Hotel Facility Revenue (Radisson Kellogg Project)	7.38	8/1/08	3,000,000 ^a	3,144,840

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Winona, Health Care Facilities Revenue (Winona Health Obligated Group)	6.00	7/1/26	5,000,000	5,140,850
Mississippi 3.6%				
Clairborne County, PCR (System Energy Resources, Inc. Project)	6.20	2/1/26	4,545,000	4,572,406
Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project)	5.88	4/1/22	14,310,000	14,106,226
Missouri 2.9%				
Missouri Development Finance Board, Infrastructure Facilities Revenue (Branson Landing Project)	5.38	12/1/27	2,000,000	1,888,800
Missouri Development Finance Board, Infrastructure Facilities Revenue (Branson Landing Project)	5.50	12/1/32	4,500,000	4,198,140
Missouri Development Finance Board, Infrastructure Facilities Revenue (Independence, Crackerneck Creek Project)	5.00	3/1/28	2,000,000	1,929,020

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

	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Missouri (continued)				
Missouri Health and Educational Facilities Authority, Health Facilities Revenue (Saint Anthony's Medical Center)	6.25	12/1/10	6,750,000 ^a	7,459,763
Montana 2.2%				
Montana Board of Housing, SFMR	6.45	6/1/29	1,200,000	1,237,212
Nevada 2.9%				
Clark County, IDR (Nevada Power Company Project)	5.60	10/1/30	3,000,000	2,482,080
Washoe County, GO Convention Center Revenue (Reno-Sparks Convention and Visitors Authority) (Insured; FSA)	6.40	1/1/10	12,000,000 ^a	12,846,120

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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

7,148,680

New Hampshire Health and

Educational Facilities Authority,

Revenue (Exeter Project)

6.00

10/1/24

1,000,000

1,045,890

New Hampshire Health and

Educational Facilities Authority,

Revenue (Exeter Project)

5.75

10/1/31

1,000,000

1,009,370

New Hampshire Industrial

Development Authority, PCR

(Connecticut Light and Power

Company Project)

5.90

11/1/16

5,000,000

5,063,300

New Jersey 3.2%

New Jersey Economic Development

Authority, Cigarette Tax Revenue

5.75

6/15/34

5,500,000

5,249,200

New Jersey Economic Development

Authority, School Facilities

Construction Revenue

(Insured; AMBAC)

5.00

9/1/37

2,235,000

2,243,225

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

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

Coupon
Rate (%)

Maturity
Date

Principal
Amount (\$)

Value (\$)

New Jersey (continued)

New Jersey Economic Development

Authority, Special Facility

Revenue (Continental Airlines,

Inc. Project)

6.25

9/15/29

3,000,000

2,653,650

Tobacco Settlement Financing

Corporation of New Jersey,

Tobacco Settlement

Asset-Backed Bonds

7.00

6/1/13

5,640,000 ^a

6,717,973

New Mexico 1.3%

Farmington,

PCR (Tucson Electric Power

Company San Juan Project)

6.95

10/1/20

4,000,000

4,039,520

New Mexico Mortgage Finance

Authority, Single Family

Mortgage Program Revenue

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(Collateralized: FHLMC, FNMA and GNMA)	7.00	9/1/31	1,120,000	1,138,491
New Mexico Mortgage Finance Authority, Single Family Mortgage Program Revenue (Collateralized: FHLMC, FNMA and GNMA)	6.15	7/1/35	1,365,000	1,435,379
New York 4.6%				
New York City Industrial Development Agency, Liberty Revenue (7 World Trade Center Project)	6.25	3/1/15	3,275,000	3,312,663
New York City Industrial Development Agency, Special Facility Revenue (American Airlines, Inc. John F. Kennedy International Airport Project)	8.00	8/1/28	2,800,000	2,943,780
Port Authority of New York and New Jersey (Consolidated Bonds, 147th Series)	4.75	4/15/37	8,000,000	7,198,640
Tobacco Settlement Financing Corporation of New York, Asset-Backed Revenue Bonds (State Contingency Contract Secured) (Insured; AMBAC)	5.25	6/1/21	5,000,000	5,124,500

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
New York (continued)				
Triborough Bridge and Tunnel Authority, Revenue	5.25	11/15/30	5,220,000	5,303,416
North Carolina 2.1%				
Gaston County Industrial Facilities and Pollution Control Financing Authority, Exempt Facilities Revenue (National Gypsum Company Project)	5.75	8/1/35	3,000,000	2,496,180
North Carolina Housing Finance Agency, Home Ownership Revenue	5.88	7/1/31	3,485,000	3,487,196
University of North Carolina Board of Governors of the University of North Carolina at Chapel Hill, General Revenue	5.00	12/1/34	5,000,000	5,021,800
North Dakota 0.2%				

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North Dakota Housing Finance Agency, Home Mortgage Revenue (Housing Finance Program)	6.15	7/1/31	765,000	787,483
Ohio 10.9%				
Buckeye Tobacco Settlement Financing Authority, Tobacco Settlement Asset-Backed Bonds	6.50	6/1/47	25,500,000	24,735,000
Canal Winchester Local School District, School Facilities Construction and Improvement and Advance Refunding Bonds (GO Unlimited Tax) (Insured; MBIA)	0.00	12/1/29	3,955,000	1,206,354
Canal Winchester Local School District, School Facilities Construction and Improvement and Advance Refunding Bonds (GO Unlimited Tax) (Insured; MBIA)	0.00	12/1/31	3,955,000	1,080,110
Cleveland State University, General Receipts (Insured; FGIC)	5.00	6/1/34	4,650,000	4,536,958
Cuyahoga County, Revenue	6.00	1/1/32	750,000	770,160
Ohio, SWDR (USG Corporation Project)	5.60	8/1/32	7,555,000	6,600,048

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Ohio (continued)				
Ohio Air Quality Development Authority, PCR (FirstEnergy Generation Corporation Project) (Insured; AMBAC)	10.24	8/1/20	12,000,000 ^e	12,000,000
Port of Greater Cincinnati Development Authority, Tax Increment Development Revenue (Fairfax Village Red Bank Infrastructure Project)	5.63	2/1/36	3,000,000	2,598,600
Toledo Lucas County Port Authority, Airport Revenue (Baxter Global Project)	6.25	11/1/13	3,700,000	3,664,665
Oklahoma 2.8%				

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Oklahoma Housing Finance Agency, SFMR (Homeownership Loan Program)	7.55	9/1/28	1,005,000	1,023,603
Oklahoma Housing Finance Agency, SFMR (Homeownership Loan Program) (Collateralized: FNMA and GNMA)	7.55	9/1/27	735,000	759,321
Oklahoma Industries Authority, Health System Revenue (Obligated Group) (Insured; MBIA)	5.75	8/15/09	5,160,000 ^a	5,482,139
Oklahoma Industries Authority, Health System Revenue (Obligated Group) (Insured; MBIA)	5.75	8/15/09	7,070,000 ^a	7,511,380
Pennsylvania 4.8%				
Dauphin County General Authority, Health System Revenue (Pinnacle Health System Project) (Insured; FSA)	7.87	8/15/34	12,000,000 ^e	12,000,000
Pennsylvania Economic Development Financing Authority, Exempt Facilities Revenue (Reliant Energy Seward, LLC Project)	6.75	12/1/36	2,500,000	2,505,050
Pennsylvania Economic Development Financing Authority, SWDR (USG Corporation Project)	6.00	6/1/31	9,310,000	8,614,357

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Pennsylvania (continued)				
Philadelphia Authority for Industrial Development, Revenue (Please Touch Museum Project)	5.25	9/1/31	2,500,000	2,293,550
South Carolina 4.3%				
Greenville County School District, Installment Purchase Revenue (Building Equity Sooner for Tomorrow)	5.50	12/1/12	5,000 ^a	5,625
Greenville County School District, Installment Purchase Revenue (Building Equity Sooner for Tomorrow)	5.50	12/1/12	20,020,000 ^{a,c,d}	22,522,700
Tennessee 3.5%				
Johnson City Health and				

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Educational Facilities Board, Hospital First Mortgage Revenue (Mountain States Health Alliance)	7.50	7/1/12	5,000,000 ^a	6,011,050
Johnson City Health and Educational Facilities Board, Hospital First Mortgage Revenue (Mountain States Health Alliance)	7.50	7/1/12	3,000,000 ^a	3,606,630
Memphis Center City Revenue Finance Corporation, Sports Facility Revenue (Memphis Redbirds Baseball Foundation Project)	6.50	9/1/28	10,000,000	8,929,000
Texas 18.3%				
Austin Convention Enterprises Inc., Convention Center Hotel First Tier Revenue	6.70	1/1/11	4,000,000 ^a	4,417,200
Cities of Dallas and Fort Worth, Dallas/Fort Worth International Airport, Facility Improvement Corporation Revenue (American Airlines, Inc.)	6.38	5/1/35	10,630,000	7,646,478

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Texas (continued)				
Cities of Dallas and Fort Worth, Dallas/Fort Worth International Airport, Revenue (Insured; MBIA)	6.25	11/1/28	3,000,000 ^b	3,003,360
Gulf Coast Industrial Development Authority, Environmental Facilities Revenue (Microgy Holdings Project)	7.00	12/1/36	6,000,000	5,270,880
Harris County Health Facilities Development Corporation, HR (Memorial Hermann Healthcare System) Houston, Airport System Special Facilities	6.38	6/1/11	8,500,000 ^a	9,503,680

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Revenue (Continental Airlines, Inc. Terminal E Project) Houston, Airport System Special Facilities	6.75	7/1/29	5,125,000	4,861,882
Revenue (Continental Airlines, Inc. Terminal E Project) North Texas Tollway Authority, System Revenue	7.00	7/1/29	3,800,000	3,707,242
Sabine River Authority, PCR (TXU Electric Company Project)	5.75	1/1/40	20,000,000 ^b	20,057,200
Sam Rayburn Municipal Power Agency, Power Supply System Revenue	6.45	6/1/21	11,300,000	10,400,633
Texas Affordable Housing Corporation, SFMR (Collateralized: FHLMC, FNMA and GNMA)	5.75	10/1/21	6,000,000	6,230,220
Texas Department of Housing and Community Affairs, Home Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	5.85	4/1/41	6,995,000	7,302,360
	9.79	7/2/24	900,000 ^f	969,309

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Texas (continued)				
Texas Turnpike Authority, Central Texas Turnpike System Revenue (Insured; AMBAC) Tyler Health Facilities Development Corporation, HR, Refunding and Improvement Bonds (East Texas Medical Center Regional Healthcare System Project)	5.75	8/15/38	7,100,000	7,331,673
Vermont 2.2%				
Vermont Housing Finance Agency, SFHR (Insured; FSA)	6.40	11/1/30	910,000	923,914
Virginia 2.3%				
Greater Richmond Convention Center Authority, Hotel Tax Revenue (Convention Center Expansion Project) Pittsylvania County Industrial Development Authority,	6.25	6/15/10	10,500,000 ^a	11,479,230

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Exempt Facility Revenue (Multitrade of Pittsylvania County, L.P. Project)	7.65	1/1/10	400,000	420,824
Washington 3.7%				
Seattle, Water System Revenue (Insured; FGIC)	6.00	7/1/09	10,000,000 ^a	10,625,300
Washington Health Care Facilities Authority, Revenue (Kadlec Medical Center) (Insured; Assured Guaranty)	5.00	12/1/30	2,000,000	1,960,000
Washington Higher Education Facilities Authority, Revenue (Seattle University Project) (Insured; AMBAC)	5.25	11/1/37	6,730,000	6,825,835

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
West Virginia 1.3%				
The County Commission of Pleasants County, PCR (Allegheny Energy Supply Company, LLC Pleasants Station Project)	5.25	10/15/37	5,000,000	4,666,700
West Virginia Water Development Authority, Water Development Revenue (Insured; AMBAC)	6.38	7/1/39	2,250,000	2,298,848
Wisconsin 8.0%				
Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	6.13	6/1/27	11,680,000 ^{c,d}	11,723,391
Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	7.00	6/1/28	22,995,000	23,591,030
Madison, IDR (Madison Gas and Electric Company Projects)	5.88	10/1/34	2,390,000	2,436,462
Wisconsin Health and Educational Facilities Authority, Revenue (Aurora Health Care, Inc.)	6.40	4/15/33	4,000,000	4,093,640

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Wyoming 0.8%

Sweetwater County, SWDR (FMC Corporation Project)	5.60	12/1/35	4,500,000	4,086,720
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U.S. Related 1.4%

Guam Housing Corporation, SFMR (Guaranteed Mortgage-Backed Securities Program) (Collateralized; FHLMC)	5.75	9/1/31	965,000	970,896
Puerto Rico Highways and Transportation Authority, Transportation Revenue	6.00	7/1/10	6,000,000 ^a	6,538,740

Total Long-Term Municipal Investments

(cost \$834,650,092) **838,454,377**

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Short-Term Municipal Investments 0.9%

Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
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Massachusetts 0.4%

Massachusetts Development Finance Agency, Revenue (WGBH Educational Foundation Issue) (Insured; AMBAC and Liquidity Facility; Royal Bank of Canada)	8.00	4/7/08	1,900,000 ^g	1,900,000
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Pennsylvania 0.5%

Pennsylvania Intergovernmental Cooperation Authority, Special Tax Revenue, Refunding (City of Philadelphia Funding Program) (Insured; AMBAC and Liquidity Facility; JPMorgan Chase Bank)	10.00	4/7/08	2,600,000 ^g	2,600,000
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Total Short-Term Municipal Investments

(cost \$4,500,000) **4,500,000**

Total Investments (cost \$839,150,092)	160.7%	842,954,377
Liabilities, Less Cash and Receivables	(6.4%)	(33,330,887)
Preferred Stock, at redemption value	(54.3%)	(285,000,000)
Net Assets Applicable to Common Shareholders	100.0%	524,623,490

^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 Purchased on a delayed delivery basis.

^c 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 March 31, 2008, these securities amounted to \$46,845,450 or 8.9% of net assets applicable to Common Shareholders.

^d Collateral for floating rate borrowings.

^e Variable rate security interest rate subject to periodic change.

^f Inverse floater security interest rate is subject to change periodically.

^g Securities payable on demand. Variable interest rate subject to periodic change.

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

Summary of Abbreviations

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	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	MBIA	Municipal Bond Investors Assurance Insurance Corporation
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

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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	38.5
AA		Aa		AA	7.7
A		A		A	12.0
BBB		Baa		BBB	21.8
BB		Ba		BB	3.6
B		B		B	4.5
CCC		Caa		CCC	1.3
F1		MIG1/P1		SP1/A1	.5
Not Rated ^h		Not Rated ^h		Not Rated ^h	10.1
					100.0

[□] Based on total investments.

^h 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

March 31, 2008 (Unaudited)

	Cost	Value
Assets (\$):		
Investments in securities—See Statement of Investments	839,150,092	842,954,377
Cash		677,739
Interest receivable		14,915,567
Receivable for investment securities sold		14,351,750
Prepaid expenses		64,755
		872,964,188
Liabilities (\$):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		514,285
Payable for investment securities purchased		38,283,200
Payable for floating rate notes issued—Note 4		24,100,000
Interest and related expenses payable		219,363
Dividends payable to Preferred Shareholders		80,673
Administrative services fees		6,358

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Commissions payable	2,500
Accrued expenses	134,319
	63,340,698

Auction Preferred Stock , Series M,T,W,Th and F, par value \$.001 per share (11,400 shares issued and outstanding at \$25,000 per share liquidation preference)[]Note 1	285,000,000
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Net Assets applicable to Common Shareholders (\$)	524,623,490
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Composition of Net Assets (\$):

Common Stock, par value \$.001 per share (60,720,834 shares issued and outstanding)	60,721
Paid-in capital	572,562,344
Accumulated undistributed investment income[]net	579,684
Accumulated net realized gain (loss) on investments	(52,383,544)
Accumulated net unrealized appreciation (depreciation) on investments	3,804,285

Net Assets applicable to Common Shareholders (\$)	524,623,490
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Shares Outstanding

(500 million shares authorized)	60,720,834
Net Asset Value , per share of Common Stock (\$)	8.64

See notes to financial statements.

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STATEMENT OF OPERATIONS

Six Months Ended March 31, 2008 (Unaudited)

Investment Income (\$):

Interest Income	24,324,315
Expenses:	
Management fee[]Note 3(a)	3,107,756
Interest and related expenses	531,144
Commission fees[]Note 1	363,594
Custodian fees[]Note 3(b)	70,929
Shareholder servicing costs[]Note 3(b)	53,643
Shareholders[] reports	39,817
Professional fees	39,057
Directors[] fees and expenses[]Note 3(c)	32,757
Registration fees	31,274
Administration service fee	15,000
Interest expense[]Note 2	1,743
Miscellaneous	42,129

Total Expenses	4,328,843
Less reduction in management fee due to undertaking Note 3(a)	(414,367)
Less reduction in fees due to earnings credits Note 1(b)	(7,673)
Net Expenses	3,906,803
Investment Income Net	20,417,512
<hr/>	
Realized and Unrealized Gain (Loss) on Investments Note 4 (\$):	
Net realized gain (loss) on investments	(4,929,681)
Net unrealized appreciation (depreciation) on investments	(23,798,220)
Net Realized and Unrealized Gain (Loss) on Investments	(28,727,901)
Dividends on Preferred Stock	(5,362,739)
Net (Decrease) in Net Assets Resulting from Operations	(13,673,128)

See notes to financial statements.

The Fund

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STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended March 31, 2008 (Unaudited)	Year Ended September 30, 2007
Operations (\$):		
Investment income net	20,417,512	41,967,516
Net realized gain (loss) on investments	(4,929,681)	5,886,541
Net unrealized appreciation (depreciation) on investments	(23,798,220)	(28,062,142)
Dividends on Preferred Stocks	(5,362,739)	(10,268,700)
Net Increase (Decrease) in Net Assets Resulting from Operations	(13,673,128)	9,523,215
Dividends to Common Shareholders from (\$):		
Investment income net	(15,301,649)	(30,564,302)
Capital Stock Transactions (\$):		
Dividends reinvested	0	1,248,316
Total Increase (Decrease) in Net Assets	(28,974,777)	(19,792,771)
Net Assets (\$):		
Beginning of Period	553,598,267	573,391,038
End of Period	524,623,490	553,598,267

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Undistributed investment income [□] net	579,684	826,560
<hr/>		
Capital Share Transactions (Shares):		
Increase in Shares Outstanding as a Result of Dividends Reinvested	□	132,203

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 dis-tributions. 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.

	Six Months Ended	Year Ended September 30,				
	March 31, 2008	2007	2006	2005	2004	2003
	(Unaudited)					
<hr/>						
Per Share Data (\$):						
Net asset value, beginning of period	9.12	9.46	9.38	9.18	9.14	9.37
Investment Operations:						
Investment income [□] net ^a	.34	.69	.66	.66	.63	.71
Net realized and unrealized gain (loss) on investments	(.48)	(.36)	.09	.21	.12	(.15)
Dividends on Preferred Stock from investment income [□] net	(.09)	(.17)	(.15)	(.10)	(.06)	(.07)
Total from Investment Operations	(.23)	.16	.60	.77	.69	.49
Distributions to Common Shareholders:						
Dividends from investment income [□] net	(.25)	(.50)	(.52)	(.57)	(.65)	(.72)
Net asset value, end of period	8.64	9.12	9.46	9.38	9.18	9.14
Market value, end of period	8.51	8.74	9.18	8.87	8.86	9.38
<hr/>						
Total Return (%) ^b	.23 ^c	.46	9.74	6.87	1.55	.33

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FINANCIAL HIGHLIGHTS (continued)

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March 31, 2008	Six Months Ended March 31, 2008	Year Ended September 30,				
	(Unaudited)	2007	2006	2005	2004	2003
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets applicable to Common Stock ^d	1.59 ^e	1.63	1.55	1.47	1.43	1.48
Ratio of net expenses to average net assets applicable to Common Stock ^d	1.44 ^e	1.48	1.40	1.33	1.43	1.48
Ratio of net investment income to average net assets applicable to Common Stock ^d	7.51 ^e	7.38	7.15	7.03	6.97	7.86
Ratio of total expenses to total average net assets	1.04 ^e	1.09	1.03	.98	.94	.97
Ratio of net expenses to total average net assets	.94 ^e	.99	.93	.89	.94	.97
Ratio of net investment income to total average net assets	4.93 ^e	4.92	4.75	4.67	4.59	5.15
Portfolio Turnover Rate	30.29 ^c	34.75	31.44	27.96	27.31	54.79
Asset coverage of Preferred Stock, end of period	284	294	301	299	295	293