

DREYFUS STRATEGIC MUNICIPAL BOND FUND INC

Form N-30D

January 30, 2003

DREYFUS
STRATEGIC MUNICIPAL
BOND FUND, INC.

ANNUAL REPORT November 30, 2002

YOU, YOUR ADVISOR AND
(R) DREYFUS
A MELLON FINANCIAL COMPANY

DREYFUS STRATEGIC MUNICIPAL BOND FUND, 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

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

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

Contents

THE FUND

2	Letter from the Chairman
3	Discussion of Fund Performance
6	Selected Information
7	Statement of Investments
16	Statement of Assets and Liabilities
17	Statement of Operations
18	Statement of Changes in Net Assets
19	Financial Highlights
21	Notes to Financial Statements
27	Report of Independent Auditors
28	Important Tax Information
29	Additional Information
32	Proxy Results
33	Board Members Information
36	Officers of the Fund
37	Officers and Directors

FOR MORE INFORMATION

Back Cover

The Fund

Dreyfus Strategic Municipal Bond Fund, Inc.

LETTER FROM THE CHAIRMAN

Dear Shareholder:

We present this annual report for Dreyfus Strategic Municipal Bond Fund, Inc., covering the 12-month period from December 1, 2001 through November 30, 2002. Inside, you'll find valuable information about how the fund was managed during the reporting period, including a discussion with the fund's portfolio manager, James Welch.

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

In an otherwise turbulent year, municipal bonds have provided relatively attractive and stable returns. Indeed, tax-exempt bond prices were boosted further in November when the Federal Reserve Board (the "Fed") reduced short-term interest rates by another 0.50 percentage points. As a result, the performance of high-quality municipal bonds to date in 2002 has been substantially better than many other asset classes.

Will highly rated municipal bonds continue to provide higher returns than stocks? While no one can know for sure, many analysts currently believe that the Fed's next move may be toward higher interest rates, which is likely to put downward pressure on prices of many bonds. History suggests that investing only in fixed-income securities probably won't provide the long-term returns most investors need. Instead, we believe that holding the right mix of stocks, bonds and cash that fits their overall financial circumstances is an important consideration for investors. We suggest you talk regularly with your financial advisor to ensure that your portfolio reflects your investment needs, long-term goals and attitudes toward risk.

Thank you for your continued confidence and support.

Sincerely,

/s/Stephen E. Canter
Stephen E. Canter
Chairman and Chief Executive Officer
The Dreyfus Corporation
December 16, 2002

DISCUSSION OF FUND PERFORMANCE

James Welch, Portfolio Manager

How did Dreyfus Strategic Municipal Bond Fund, Inc. perform during the period?

For the 12-month period ended November 30, 2002, the fund achieved a total return of 4.53%. (1) During the same period, the fund provided aggregate income dividends of \$0.5604 per share, which is equal to a distribution rate of 7.11% .. (2)

The fund has continued to perform well despite the effects of falling interest rates on long-term bond yields. The fund's leveraging strategy, which is based on the issuance of short-term auction-rate preferred notes, has continued to benefit performance as borrowing costs have declined. However, ongoing credit concerns affecting some of the fund's corporate-backed municipal securities detracted from the fund's otherwise strong performance.

What is the fund's investment approach?

The fund seeks high current income exempt from federal income tax by investing in long-term, tax-exempt municipal bonds.

In so doing, we look for bonds that we believe can provide high current income. We strive to find such opportunities through analysis of individual bonds' structures. Within the context of our bond structure analyses, we pay particularly close attention to each bond's maturity and early redemption features.

Over time, many of the fund's older, higher-yielding bonds have matured or were

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

redeemed by their issuers. We have generally attempted to replace those bonds with new securities that offered currently higher than average income payments. 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 sell bonds that are close to

The Fund

DISCUSSION OF FUND PERFORMANCE (CONTINUED)

their optimal redemption date or maturity. In addition, we conduct credit analysis of our holdings in an attempt to avoid potential defaults on interest and principal payments.

What other factors influenced the fund's performance?

The reporting period was characterized by a generally disappointing economic recovery and falling interest rates. The Federal Reserve Board (the "Fed") began the reporting period with a 0.25 percentage-point rate cut, the last of 11 such reductions implemented during 2001. The Fed subsequently held interest rates steady through the first 10 months of 2002, while it waited for the economic recovery to gain momentum. When the economy failed to respond, the Fed stepped in with an additional rate cut of 0.50 percentage points in November

These influences benefited many of the fund's higher-yielding holdings, which experienced price appreciation as yields on newly issued bonds declined. Heightened demand from risk-averse investors seeking an alternative to the stock market also supported municipal bond prices and kept yields low.

Despite generally favorable market conditions, we maintained a relatively conservative investment posture throughout the reporting period as we continued to rebalance the fund in an attempt to make it less sensitive to credit concerns and interest-rate trends. With interest rates already at a 40-year low, we believed that it made little sense to position the fund for further rate cuts. Similarly, we attempted to reduce the fund's holdings of lower-rated securities because of the ongoing fiscal deterioration of most states and municipalities. Accordingly, as existing holdings matured or were redeemed early by their issuers, we generally reinvested the proceeds in highly rated securities, including those carrying third-party insurance.(3)

Despite our efforts to reduce lower-rated corporate-backed municipal securities, bonds issued on behalf of steel companies and airlines proved difficult to sell at reasonable prices, and price erosion among these bonds detracted from the fund's overall performance.

Finally, as we reported six months ago, the fund has continued to benefit from low rates on the fund's auction-rate preferred shares. By extending maturities to as long as one year, we have effectively locked in today's historically low borrowing costs on money that we put to work in the municipal bond market on our shareholders' behalf.

What is the fund's current strategy?

We have maintained the fund's defensive posture as we continue to rebalance the fund. In our view, this strategy should benefit performance if and when the economy gains momentum and the Fed begins to raise short-term interest rates. Although there is no way of knowing when this will occur, we recently have seen signs of a potentially stronger recovery, including a rallying stock market.

In the meantime, we have attempted to take advantage of opportunities to acquire high-quality bonds at relatively attractive prices. For example, toward the end

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

of the reporting period, California came to market with more than \$13 billion of bonds, some of which were issued to reimburse the state treasury for outlays related to the 2001 energy crisis. These bonds were offered with attractive yields to heighten investor interest outside of California, and we participated by purchasing some of the newly issued securities for the fund.

December 16, 2002

- (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.
- (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.
- (3) INSURANCE ON INDIVIDUAL BONDS EXTENDS TO THE REPAYMENT OF PRINCIPAL AND THE PAYMENT OF INTEREST IN THE EVENT OF DEFAULT. IT DOES NOT EXTEND TO THE MARKET VALUE OF THE PORTFOLIO SECURITIES OR THE VALUE OF THE FUND'S SHARES.

The Fund

SELECTED INFORMATION

November 30, 2002 (Unaudited)

Market Price per share November 30, 2002	\$7.88
Shares Outstanding November 30, 2002	48,031,336
New York Stock Exchange Ticker Symbol	DSM

MARKET PRICE (NEW YORK STOCK EXCHANGE)

Fiscal Year Ended November 30, 2002

	QUARTER ENDED FEBRUARY 28, 2002	QUARTER ENDED MAY 31, 2002	QUARTER ENDED AUGUST 31, 2002
High	\$8.88	\$8.69	\$8.88
Low	8.07	7.93	8.30
Close	8.66	8.41	8.66

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

November 22, 1989 (commencement of operations)
through November 30, 2002

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

December 1, 1992 through November 30, 2002

December 1, 1997 through November 30, 2002

December 1, 2001 through November 30, 2002

March 1, 2002 through November 30, 2002

June 1, 2002 through November 30, 2002

September 1, 2002 through November 30, 2002

NET ASSET VALUE PER SHARE

November 22, 1989 (commencement of operations)	\$9.32
November 30, 2001	8.75
February 28, 2002	8.75
May 31, 2002	8.72
August 31, 2002	8.77
November 30, 2002	8.56

PERCENTAGE GAIN (LOSS) based on change in Net Asset Value*

November 22, 1989 (commencement of operations)
through November 30, 2002

December 1, 1992 through November 30, 2002

December 1, 1997 through November 30, 2002

December 1, 2001 through November 30, 2002

March 1, 2002 through November 30, 2002

June 1, 2002 through November 30, 2002

September 1, 2002 through November 30, 2002

(*) WITH DIVIDENDS REINVESTED.

STATEMENT OF INVESTMENTS

November 30, 2002

LONG-TERM MUNICIPAL INVESTMENTS--140.0%

ALASKA--5.1%

Alaska Housing Finance Corporation:

6.25%, 6/1/2035 (Insured; MBIA)

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

6.05%, 6/1/2039 (Insured; MBIA)	12,1
ARIZONA--2.7%	
Apache County Industrial Development Authority, PCR	
(Tuscon Electric Power Co.) 5.85%, 3/1/2028	8,2
Maricopa County Pollution Control Corporation, PCR	
(El Paso Electric Co.) 6.25%, 5/1/2037	4,0
ARKANSAS--1.3%	
Arkansas Development Finance Authority, SFMR	
6.25%, 1/1/2032	5,0
CALIFORNIA--3.7%	
California Department Water Resources,	
Power Supply Revenue 6%, 5/1/2015	5,0
California Health Facilities Financing Authority,	
Health Facility Financing Revenue	
(Cedars-Sinai Medical Center) 6.25%, 12/1/2034	3,7
California Pollution Control Financing Authority, PCR	
(Southern California Edison Company) 7%, 2/28/2008	5,0
Los Angeles Regional Airports Improvement Corporation, LR (International Airport--Delta)	
6.35%, 11/1/2025	1,4
COLORADO--1.8%	
Colorado Health Facilities Authority, Revenue	
(American Housing Foundation 1, Inc.)	
10.25%, 12/1/2020	5,6
Denver City and County, Special Facilities Airport Revenue	
(United Air Lines) 6.875%, 10/1/2032	8,2
Northwest Parkway Public Highway Authority, Revenue	
(First Tier Subordinated) 7.125%, 6/15/2041	2,0
CONNECTICUT--1.5%	
Connecticut Development Authority, PCR	
(Connecticut Light and Power) 5.95%, 9/1/2028	6,0
DELAWARE--1.5%	
Delaware Health Facilities Authority, Revenue	

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

(Beebe Medical Center) 6.80%, 6/1/2024 5,9
DISTRICT OF COLUMBIA--1.5%
Metropolitan Washington Airports Authority,
Special Facilities Revenue
(Caterair International Corp.) 10.125%, 9/1/2011 6,3

STATEMENT OF INVESTMENTS (CONTINUED)

LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED) Am

FLORIDA--3.3%
Florida Housing Finance Corporation, Housing Revenue
(Seminole Ridge Apartments)
6%, 4/1/2041 (Collateralized; GNMA) 6,4
Orange County Health Facilities Authority, Revenue:
(Adventist Health System) 6.25%, 11/15/2024 3,0
(Orlando Regional Healthcare System) 6%, 10/1/2026 3,5
GEORGIA--2.3%
Private Colleges and Universities Facilities Authority,
Revenue (Clark Atlanta University)
8.25%, 1/1/2015 (Prerefunded 1/1/2003) 8,9
IDAHO--1.2%
Idaho Housing & Finance Association, SFMR
6.35%, 1/1/2030 (Collateralized; FNMA) 2,5
Power County Industrial Development Corporation, SWDR
(FMC Corporation Project) 6.45%, 8/1/2032 2,8
ILLINOIS--5.6%
Illinois Development Finance Authority, Revenue
(Community Rehabilitation Providers Facilities
Acquisition Program) 6.05%, 7/1/2019 5,2
Illinois Health Facilities Authority, Revenue:
(Advocate Network Health Care) 6.125%, 11/15/2022 5,0

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

(OSF Healthcare Systems) 6.25%, 11/15/2029	12,0
INDIANA--2.6%	
Burns Harbor Industrial Solid Waste Disposal Facilities, Revenue (Bethlehem Steel Corp.) 8%, 4/1/2024	6,0
Franklin Township School Building Corporation 6.125%, 1/15/2022 (Prerefunded 7/15/2010)	6,0
Jasper County, EDR (Georgia Pacific Corp.) 5.60%, 4/1/2029	5,0
LOUISIANA--5.4%	
Lake Charles Harbor and Terminal, District Port Facilities Revenue (Trunkline LNG Co.) 7.75%, 8/15/2022	15,0
Parish of De Soto, Environmental Improvement Revenue (International Paper Co.) 6.55%, 4/1/2019	2,9
West Feliciana Parish, PCR (Entergy Gulf States) 6.60%, 9/1/2028	3,7
MARYLAND--.9%	
Baltimore County, PCR (Bethlehem Steel Corp.) 7.50%, 6/1/2015	5,0
	Pr
LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)	Amo

MARYLAND (CONTINUED)	
Maryland Industrial Development Financing Authority, EDR (Medical Waste Associates Limited Partnership) 8.75%, 11/15/2010	3,8
MASSACHUSETTS--1.9%	
Massachusetts Bay Transportation Authority, Assessment Revenue 5.25%, 7/1/2030	3,7
Massachusetts Health and Educational Facilities Authority, Revenue (Beth Israel) 9.942%, 7/1/2025 (Insured; AMBAC)	3,2
Pittsfield, SWDR (Vicon Recovery Associates)	

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

7.95%, 11/1/2004	5
MICHIGAN--2.4%	
Michigan Hospital Finance Authority, HR	
(Genesys Health System Obligated Group)	
8.125%, 10/1/2021 (Prerefunded 10/1/2005)	5,0
Michigan Strategic Fund, SWDR	
(Genesee Power Station) 7.50%, 1/1/2021	4,0
MINNESOTA--1.0%	
Minneapolis & Saint Paul Metropolitan Airports	
Commissions, Special Facilities Revenue	
(Northwest Airlines) 7%, 4/1/2025	5,4
MISSISSIPPI--2.5%	
Mississippi Business Finance Corporation, PCR	
(Systems Energy Resources, Inc.) 5.90%, 5/1/2022	11,0
MISSOURI--2.3%	
Jackson County Industrial Development Authority,	
Health Facilities Revenue	
(Carondelet Health Corp.) 9%, 7/1/2020	6,3
Saint Louis Industrial Development Authority	
(Saint Louis Convention) 7.25%, 12/15/2035	3,2
NEBRASKA--1.0%	
Nebraska Investment Finance Authority, SFMR	
9.54%, 3/1/2026	3,5
NEVADA--3.5%	
Clark County, IDR	
(Southwest Gas Corporation) 6.50%, 12/1/2033	5,0
Washoe County (Reno-Sparks Convention)	
6.40%, 7/1/2029 (Insured; FSA, Prerefunded 1/1/2010)	8,0

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

STATEMENT OF INVESTMENTS (CONTINUED)

LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)

NEW HAMPSHIRE--3.6%

New Hampshire Business Finance Authority, PCR

(Public Service Co.):

6%, Series D, 5/1/2021 (Insured; MBIA)

6%, Series E, 5/1/2021 (Insured; MBIA)

New Hampshire Industrial Development Authority, PCR

(Connecticut Light) 5.90%, 11/1/2016

NEW JERSEY--1.8%

New Jersey Economic Development Authority

Special Facilities Revenue (Continental Airlines, Inc.):

6.25%, 9/15/2019

7.20%, 11/15/2030

NEW YORK--2.9%

Metropolitan Transportation Authority

(Service Contract) 5.125%, 1/1/2029

New York State Dormitory Authority, Revenue:

Judicial Facility Lease (Suffolk County)

9.50%, 4/15/2014

(Marymount Manhattan College) 6.25%, 7/1/2029

NORTH CAROLINA--.7%

North Carolina Eastern Municipal Power Agency,

Power Systems Revenue 6.70%, 1/1/2019

OHIO--7.0%

Cuyahoga County, HR (Metrohealth Systems)

6.15%, 2/15/2029

Cuyahoga County Hospital Facilities, Revenue

(UHHS/CSAHS Cuyahoga Inc. & CSAHS/

UHHS Canton Inc.) 7.50%, 1/1/2030

Pr

Amo

2,6

6,0

5,4

4,0

7,0

7,0

6

4,0

2,5

10,0

3,5

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

Mahoning County Hospital Facilities, Revenue	
(Forum Health Obligation Group) 6%, 11/15/2032	5,0
Ohio Air Quality Development Authority, PCR	
(Cleveland Electric Illuminating Co.) 6.10%, 8/1/2020	2,4
Ohio Housing Finance Agency, Mortgage Revenue	
10.462%, 3/1/2029 (Collateralized; GNMA)	2,8
Ohio Water Development Authority, PCR	
(Cleveland Electric) 6.10%, 8/1/2020	4,0
OKLAHOMA--3.6%	
Oklahoma Development Finance Authority, Revenue	
(St. John Health System) 6%, 2/15/2029	9,0
Oklahoma Industries Authority, Health System Revenue	
(Obligation Group) 5.75%, 8/15/2029 (Insured; MBIA)	5,0
	Pr
LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)	Amo

OREGON--1.4%	
Umatilla County Hospital Facility Authority, Revenue	
(Catholic Health Initiatives) 5.50%, 3/1/2022	3,4
Oregon Health and University	
5%, 7/1/2032 (Insured;MBIA)	2,1
PENNSYLVANIA--5.5%	
Allegheny County Port Authority, Special Transportation Revenue 6.125%, 3/1/2029 (Insured; MBIA, Prerefunded 3/1/2009)	4,7
Beaver County Industrial Development Authority, PCR	
(Cleveland Electric) 7.625%, 5/1/2025	8,8
Pennsylvania Economic Development Financing Authority, RRR (Northhampton Generating Project) 6.60%, 1/1/2019	4,2
Pennsylvania Housing Finance Agency, Multi-Family Development Revenue	
8.25%, 12/15/2019	2

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

Sayre Health Care Facilities Authority, Revenue

(Guthrie Health) 6.25%, 12/1/2018

3,0

RHODE ISLAND--1.6%

Rhode Island Health & Educational Building Corporation

Higher Educational Facilities (University of Rhode Island)

5.875%, 9/15/2029 (Insured; MBIA)

5,9

SOUTH CAROLINA--5.7%

Greenville Hospital System, Hospital Facilities Revenue

5.50%, 5/1/2026 (Insured; AMBAC)

7,0

South Carolina Medical Facilities, Hospital Facilities

Revenue 6%, 7/1/2019 (Prerefunded 7/1/2009)

5,0

Tobacco Settlement Revenue Management Authority,

Tobacco Settlement Revenue 6.375%, 5/15/2028

10,6

TENNESSEE--3.9%

Memphis Center City Revenue Finance Corp.

Sports Facility Revenue

(Memphis Redbirds) 6.50%, 9/1/2028

6,0

Tennessee Housing Development Agency

(Homeownership Program):

6%, 1/1/2028

4,8

6.40%, 7/1/2031

4,6

TEXAS--20.8%

Alliance Airport Authority Inc., Special Facilities Revenue

(American Airlines, Inc. Project) 7.50%, 12/1/2029

2,5

STATEMENT OF INVESTMENTS (CONTINUED)

Pr

LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)

Amo

TEXAS (CONTINUED)

Austin (Convent Station) 6.70%, 1/1/2032

4,2

Dallas Fort Worth International Airport, Revenue

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

6%, 11/1/2028 (Insured; FGIC)	4,0
Gregg County Health Facilities Development Corporation, HR (Good Shepherd Medical Center) 6.375%, 10/1/2025	2,5
Harris County Health Facilities Development Corporation, HR:	
(Memorial Hermann Healthcare) 6.375%, 6/1/2029	7,0
(St. Luke's Episcopal Hospital) 5.375%, 2/15/2026	5,0
Houston Airport System, Special Facilities Revenue	
(Airport Improvement Continental Airlines)	
6.125%, 7/15/2017	6,0
Katy Independent School District	
6.125%, 2/15/2032	11,3
Sabine River Authority, PCR (TXU Electric):	
6.45%, 6/1/2021	2,9
5.50%, 5/1/2022	5,0
Springhill Courtland Heights Public Facility Corp. MFHR	
5.85%, 12/1/2028	6,0
Texas:	
(Veterans) 6%, 12/1/2030	3,9
(Veterans Housing Assistance Program) 6.10%, 6/1/2031	8,5
Texas Department of Housing and Community Affairs,	
Collateralized Home Mortgage Revenue 11.802%, 7/2/2024	5,4
Tomball Hospital Authority, Revenue 6.125%, 7/1/2023	3,4
Tyler Health Facilities Development Corp., HR	
(East Texas Medical Center Regional Health Care System)	
6.75%, 11/1/2025	5,8
Texas Turnpike Authority,	
Central Texas Turnpike System Revenue 5.50%, 8/15/2039 (Insured; AMBAC)	3,0
UTAH--1.1%	

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

Carbon County, SWDR (Sunnyside Cogeneration)

7.10%, 8/15/2023

4,5

Pr

LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)

Amo

VIRGINIA--4.8%

Henrico County Industrial Development Authority, Revenue

(Bon Secours Health System)

9.799%, 8/23/2027 (Insured; FSA)

7,5

Virginia Housing Development Authority

Rental Housing 6.20%, 8/1/2024

8,5

Virginia Port Authority,

Commonwealth Port Fund Revenue

5%, 7/1/2027 (Insured; MBIA)

1,7

WASHINGTON--6.7%

Energy Northwest, Revenue:

Electric 9.67%, 7/1/2017

10,0

(Wind Project) 6%, 7/1/2023

3,6

Port Seattle Special Facilities Revenue

(Northwest Airlines Project) 7.25%, 4/1/2030

2,3

Washington Higher Education Facilities Authority, Revenue

(Whitman College) 5.875%, 10/1/2029

10,0

WISCONSIN--9.9%

Badger TOB Asset Securitization Corp.

TOB Settlement Revenue 7%, 6/1/2028

13,5

Wisconsin Health and Educational Facilities Authority,

Revenue (Aurora Health Care, Inc.) 5.60%, 2/15/2029

9,2

Wisconsin Housing and Economic Development Authority

Homeownership Revenue:

11.076%, 7/1/2025

10,6

6.25%, 9/1/2027

6,7

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

WYOMING--3.5%

Sweetwater County, SWDR (FMC Corp.):

7%, 6/1/2024

1,8

6.90%, 9/1/2024

2,4

Wyoming Student Loan Corporation, Student Loan Revenue:

6.20%, 6/1/2024

5,0

6.25%, 6/1/2029

5,0

U.S.RELATED--.5%

Puerto Rico Public Finance Corporation

6%, 8/1/2026

2,0

TOTAL LONG-TERM INVESTMENTS

(cost \$585,969,741)

STATEMENT OF INVESTMENTS (CONTINUED)

SHORT-TERM MUNICIPAL INVESTMENTS--3.3%

Pr

Amo

ALASKA--.3%

Valdez Alaska Marine Terminal Revenue, VRDN

(Exxon Pipeline Company) 1.10%

1,1

LOUISIANA--.6%

East Baton Rouge Parish, PCR, VRDN

(Exxon Project) 1.20%

2,5

NEW YORK--1.1%

New York City, VRDN

1.15% (LOC; Scotiabank, Insured; MBIA)

5

New York City Transitional Finance Authority, VRDN

Recovery Revenue 1.20%

3,9

RHODE ISLAND--.3%

Rhode Island Industrial Facilities Corporation

Marine Terminal Revenue, VRDN

(Exxon Mobil) 1.10%

1,4

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

TEXAS--1.0%

Gulf Coast Waste Disposal Authority, PCR, VRDN

(Amoco Oil Co.) 1.10%

4, 3

TOTAL SHORT-TERM MUNICIPAL INVESTMENTS

(cost \$13,750,000)

TOTAL INVESTMENTS (cost \$599,719,741)

CASH AND RECEIVABLES (NET)

PREFERRED STOCK, AT REDEMPTION VALUE

NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS

Summary of Abbreviations

AMBAC	American Municipal Bond Assurance Corporation
EDR	Economic Development Revenue
FGIC	Financial Guaranty Insurance Company
FNMA	Federal National Mortgage Association
FSA	Financial Security Assurance
GNMA	Government National Mortgage Association
HR	Hospital Revenue
IDR	Industrial Development Revenue
LOC	Letter of Credit
LR	Lease Revenue
MBIA	Municipal Bond Investors Assurance Insurance Corporation
MFHR	Multi-Family Housing Revenue
PCR	Pollution Control Revenue
RRR	Resources Recovery Revenue
SFMR	Single Family Mortgage Revenue
SWDR	Solid Waste Disposal Revenue
VRDN	Variable Rate Demand Notes

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

Summary of Combined Ratings (Unaudited)

Fitch	or	Moody's	or	Standard & Poor's
AAA		Aaa		AAA
AA		Aa		AA
A		A		A
BBB		Baa		BBB
BB		Ba		BB
B		B		B
CCC		Caa		CCC
F-1+, F-1		VMIG1,MIG1,P1		SP1,A1
Not Rated(f)		Not Rated(f)		Not Rated(f)

- (A) NON-INCOME PRODUCING SECURITY, INTEREST PAYMENTS IN DEFAULT.
- (B) 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.
- (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 NOVEMBER 30, 2002, THESE SECURITIES AMOUNTED TO \$30,222,125 OR 7.3% OF NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS.
- (E) SECURITIES PAYABLE ON DEMAND. VARIABLE INTEREST RATE--SUBJECT TO PERIODIC CHANGE.
- (F) SECURITIES WHICH, WHILE NOT RATED BY FITCH, MOODY'S AND STANDARD & POOR'S, HAVE BEEN DETERMINED BY THE INVESTMENT ADVISOR TO BE OF COMPARABLE QUALITY TO THOSE RATED SECURITIES IN WHICH THE FUND MAY INVEST.
- (G) AT NOVEMBER 30, 2002, THE FUND HAD \$152,470,242 (37.1% OF NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS) INVESTED IN SECURITIES WHOSE PAYMENT OF PRINCIPAL AND INTEREST IS DEPENDENT UPON REVENUES GENERATED FROM HEALTH CARE PROJECTS.

SEE NOTES TO FINANCIAL STATEMENTS.

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

The Fund

STATEMENT OF ASSETS AND LIABILITIES

November 30, 2002

	Cost	Value

ASSETS (\$):		
Investments in securities--See Statement of Investments	599,719,741	589,690,670
Interest receivable		11,083,334
Receivable for investment securities sold		5,097,080
Prepaid expenses		207,610
		606,078,694

LIABILITIES (\$):		
Due to The Dreyfus Corporation and affiliates		369,393
Cash overdraft due to Custodian		66,564
Payable for investment securities purchased		7,757,584
Dividends payable to preferred shareholders		124,245
Commissions payable		40,400
Accrued expenses		351,839
		8,710,025

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 (\$)		411,368,669

COMPOSITION OF NET ASSETS (\$):		
Common Stock, par value, \$.001 per share		
(48,031,336 shares issued and outstanding)		48,031
Paid-in capital		443,577,972
Accumulated undistributed investment income--net		6,286,357
Accumulated net realized gain (loss) on investments		(28,514,620)

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

Accumulated net unrealized appreciation (depreciation) on investments	(10,029,071)
--	--------------

NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	411,368,669
--	-------------

COMMON SHARES OUTSTANDING

(110 million shares of \$.001 par value Common Stock authorized)	48,031,336
--	------------

NET ASSET VALUE PER SHARE OF COMMON STOCK (\$)	8.56
--	------

SEE NOTES TO FINANCIAL STATEMENTS.

STATEMENT OF OPERATIONS

Year Ended November 30, 2002

INVESTMENT INCOME (\$):

INTEREST INCOME	39,179,947
-----------------	------------

EXPENSES:

Management fee--Note 3(a)	3,017,164
---------------------------	-----------

Administration fee--Note 3(a)	1,508,582
-------------------------------	-----------

Commission fees--Note 1	490,836
-------------------------	---------

Professional fees	90,960
-------------------	--------

Shareholders' reports	67,855
-----------------------	--------

Directors' fees and expenses--Note 3(b)	46,509
---	--------

Shareholder servicing costs	42,039
-----------------------------	--------

Registration fees	38,536
-------------------	--------

Custodian fees	3,618
----------------	-------

Miscellaneous	42,709
---------------	--------

TOTAL EXPENSES	5,348,808
----------------	-----------

INVESTMENT INCOME--NET	33,831,139
------------------------	------------

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS--NOTE 4 (\$):

Net realized gain (loss) on investments	(9,058,484)
---	-------------

Net unrealized appreciation (depreciation) on investments	(3,417,992)
---	-------------

NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	(12,476,476)
--	--------------

DIVIDENDS ON PREFERRED STOCK	(3,420,665)
------------------------------	-------------

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS 17,933,998

SEE NOTES TO FINANCIAL STATEMENTS.

The Fund

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended November 30,	
	2002	2001 (a)
OPERATIONS (\$):		
Investment income--net	33,831,139	34,489,807
Net realized gain (loss) on investments	(9,058,484)	(634,617)
Net unrealized appreciation (depreciation) on investments	(3,417,992)	5,593,035
Dividends on Preferred Stock	(3,420,665)	(5,551,745)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	17,933,998	33,896,480
DIVIDENDS TO COMMON SHAREHOLDERS FROM (\$):		
INVESTMENT INCOME--NET	(26,911,287)	(26,833,810)
CAPITAL STOCK TRANSACTIONS (\$):		
DIVIDENDS REINVESTED--NOTE 1(C)	337,170	1,865,059
TOTAL INCREASE (DECREASE) IN NET ASSETS	(8,640,119)	8,927,729
NET ASSETS (\$):		
Beginning of Period	420,008,788	411,081,059
END OF PERIOD	411,368,669	420,008,788
Undistributed investment income--net	6,286,357	2,887,833
CAPITAL SHARE TRANSACTIONS (COMMON SHARES):		
INCREASE IN COMMON SHARES OUTSTANDING		
AS A RESULT OF DIVIDENDS REINVESTED	39,069	208,342

(A) RESTATED TO CONFORM TO CURRENT YEAR'S PRESENTATION.

SEE NOTES TO FINANCIAL STATEMENTS.

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

FINANCIAL HIGHLIGHTS

The following table describes the performance for the fiscal periods indicated. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been derived from the fund's financial statements and market price data for the fund's shares.

	Year Ended		
	2002 (a)	2001 (b)	2000 (c)

PER SHARE DATA (\$):			
Net asset value, beginning of period	8.75	8.60	8.50
Investment Operations:			
Investment income--net	.70 (c)	.72	.75
Net realized and unrealized			
gain (loss) on investments	(.26)	.11	.15
Dividends on Preferred Stock			
from net investment income	(.07)	(.12)	(.10)
Total from Investment Operations	.37	.71	.75
Distributions to			
Common Shareholders:			
Dividends from investment			
income--net	(.56)	(.56)	(.55)
Capital Stock transactions--net effect			
of Preferred Stock Offering	--	--	(.10)
Net asset value, end of period	8.56	8.75	8.60
Market value, end of period	7.88	8.45	8.10

TOTAL RETURN (%) (E)	(.36)	10.72	13.50

FINANCIAL HIGHLIGHTS (CONTINUED)

	Year Ended N		
	2002 (a)	2001 (b)	2000 (c)

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

RATIOS/SUPPLEMENTAL DATA (%):

Ratio of expenses to average net assets applicable to Common Shareholders	1.28 (f, g)	1.27 (f, g)	1.34 (f, g)
Ratio of net investment income to average net assets applicable to Common Shareholders	8.10 (f, g)	8.10 (f, g)	8.25 (f, g)
Portfolio Turnover Rate	44.71	13.36	27.58
Asset coverage of Preferred Stock, end of period	321	326	321

Net Assets, net of Preferred Stock, end of period (\$ x 1,000)	411,369	420,009	411,081
Preferred Stock outstanding, end of period (\$ x 1,000)	186,000	186,000	186,000

- (A) AS REQUIRED, EFFECTIVE DECEMBER 1, 2001, THE FUND HAS ADOPTED THE PROVISIONS OF THE AICPA AUDIT AND ACCOUNTING GUIDE FOR INVESTMENT COMPANIES AND BEGAN AMORTIZING DISCOUNT OR PREMIUM ON A SCIENTIFIC BASIS FOR DEBT SECURITIES ON A DAILY BASIS. THE EFFECT OF THIS CHANGE FOR THE PERIOD ENDED NOVEMBER 30, 2002 WAS TO INCREASE NET INVESTMENT INCOME PER SHARE AND DECREASE NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS BY LESS THAN \$.01 AND INCREASE THE RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS FROM 8.08% TO 8.10%. PER SHARE DATA AND RATIOS/SUPPLEMENTAL DATA FOR PERIODS PRIOR TO DECEMBER 1, 2001 HAVE NOT BEEN RESTATED TO REFLECT THIS CHANGE IN PRESENTATION.
- (B) RESTATED TO CONFORM TO CURRENT YEAR'S PRESENTATION.
- (C) BASED ON AVERAGE SHARES OUTSTANDING AT EACH MONTH END.
- (D) AMOUNT REPRESENTS LESS THAN \$.01 PER SHARE.
- (E) CALCULATED BASED ON MARKET VALUE.
- (F) DOES NOT REFLECT THE EFFECT OF DIVIDENDS TO PREFERRED STOCK SHAREHOLDERS.
- (G) THE RATIO OF EXPENSES TO TOTAL AVERAGE NET ASSETS AND THE RATIO OF NET INVESTMENT INCOME TO TOTAL AVERAGE NET ASSETS WERE .89% AND 5.61%, RESPECTIVELY, FOR THE YEAR ENDED NOVEMBER 30, 2002, .89% AND 5.64%, RESPECTIVELY, FOR THE YEAR ENDED NOVEMBER 30, 2001, .92% AND 5.64%, RESPECTIVELY, FOR THE YEAR ENDED NOVEMBER 30, 2000 AND .84% AND 6.13%, RESPECTIVELY, FOR THE YEAR ENDED NOVEMBER 30, 1999.

SEE NOTES TO FINANCIAL STATEMENTS.

NOTES TO FINANCIAL STATEMENTS

NOTE 1--Significant Accounting Policies:

Dreyfus Strategic Municipal Bond Fund, Inc. (the "fund") is registered under the

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

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 ("Dreyfus") serves as the fund's investment adviser and administrator. Dreyfus is a direct subsidiary of Mellon Bank, N.A., which is a wholly-owned subsidiary of Mellon Financial Corporation ("Mellon"). Boston Safe Deposit and Trust Company (the "Custodian") acts as the fund's custodian. The Custodian is a wholly-owned subsidiary of Mellon. 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, 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 Fund

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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. Pringle and John E. Zuccotti to represent holders of APS on the fund's Board of Directors.

The fund's financial statements are prepared in accordance with accounting principles generally accepted in the United States, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

(A) PORTFOLIO VALUATION: Investments in municipal debt securities (excluding options and financial futures on municipal and U.S. Treasury securities) are valued on the last business day of each week and month by an independent pricing service ("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.

(B) SECURITIES TRANSACTIONS AND INVESTMENT INCOME: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Interest income,

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

adjusted for amortization of discount and premium on invest

ments, is earned from settlement date and recognized on the accrual basis. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled a month or more after the trade date.

(C) DIVIDENDS TO SHAREHOLDERS OF COMMON STOCK ("COMMON 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 gain, if any, are normally declared and paid at least annually. To the extent that net realized capital gain can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gain.

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

On November 29, 2002, the Board of Directors declared a cash dividend to Common Shareholders of \$.0467 per share from investment income-net, payable on December 30, 2002 to Common Shareholders of record as of the close of business on December 13, 2002.

(D) DIVIDENDS TO SHAREHOLDERS OF APS: For APS, dividends are currently reset annually for Series A and B and every 7 days for Series C. The dividend rates in effect at November 30, 2002 were as follows: Series A - 2.07%, Series B - 1.625% and Series C - 1.30% .

(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 Internal Revenue Code of 1986 as amended, and to make distributions of income and net realized capital gain sufficient to relieve it from substantially all federal income and excise taxes

The Fund

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

At November 30, 2002, the components of accumulated earnings on a tax basis were as follows: accumulated capital losses \$28,514,620 and unrealized depreciation \$9,876,120.

The accumulated capital loss carryover is available to be applied against future net securities profits, if any, realized subsequent to November 30, 2002. If not applied, \$9,312,230 of the carryover expires in fiscal 2003, \$3,964,163 expires in fiscal 2007, \$5,542,712 expires in fiscal 2008, \$442,201 expires in fiscal 2009 and \$9,253,314 expires in fiscal 2010.

The tax character of distributions paid to shareholders during the fiscal periods ended November 30, 2002 and November 30, 2001, respectively, were as follows: tax exempt income of \$30,331,952 and \$32,385,555.

During the period ended November 30, 2002, as a result of permanent book to tax differences, the fund decreased accumulated undistributed investment income-net by \$256,777, increased net realized gain (loss) on investments by \$4,496,663 and decreased paid-in capital by \$4,239,886. Net assets were not affected by this reclassification.

NOTE 2--Bank Line of Credit:

The fund participates with other Dreyfus-managed funds in a \$100 million unsecured line of credit primarily to be utilized for temporary or emergency

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

purposes. Interest is charged to the fund based on prevailing market rates in effect at the time of borrowings. During the period ended November 30, 2002, 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 1% of the value of the fund's average weekly net assets. 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 1% of the value of the fund's average weekly net assets; out-of pocket transfer agency and custody expenses are paid separately by the fund.

(B) Each director who is not an "affiliated person" as defined in the Act receives from the fund an annual fee of \$2,500 and an attendance fee of \$500 per meeting. The Chairman of the Board receives an additional 25% of such compensation and the Director Emeritus receives 50% of such compensation.

NOTE 4--Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended November 30, 2002, amounted to \$264,155,985 and \$263,429,116, respectively.

At November 30, 2002, the cost of investments for federal income tax purposes was \$599,566,790; accordingly, accumulated net unrealized depreciation on investments was \$9,876,120, consisting of \$23,903,556 gross unrealized appreciation and \$33,779,676 gross unrealized depreciation.

NOTE 5--Change in Accounting Principle:

(A) As required, effective December 1, 2001, the fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing discount or premium on a scientific basis for debt securities on a daily basis. Prior to December 1, 2001, the fund amortized premiums on debt securities on a scientific basis but recognized market discount upon disposition. The cumulative effect of this accounting change had no impact on total net assets of the fund, but resulted in a \$156,114 increase in accumulated undistributed investment income-net and a corresponding \$156,114 decrease in accumulated net unrealized appreciation (depreciation), based on securities held by the fund on November 30, 2001.

The Fund

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The effect of this change for the period ended November 30, 2002 was to increase net investment income by \$100,662, increase net unrealized appreciation (depreciation) by \$3,163 and decrease net realized gains (losses) by \$103,825. The statement of changes in net assets and financial highlights for prior periods have not been restated to reflect this change in presentation.

(B) Effective December 1, 2000, the fund adopted the classification requirement of EITF D-98, Classification and Measurement of Redeemable Securities. EITF D-98 requires that preferred stock for which its redemption is outside of the fund's control should be presented outside of net assets in the statement of assets and

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

liabilities. The redemption of the fund's preferred stock is outside of the control of the fund because of provisions in the fund's Articles Supplementary Creating Three Series of Auction Preferred Stock relating to compliance with rating agency guidelines. In adopting EITF D-98, the fund's net assets as of December 1, 2000 in the statement of changes in net assets is restated by excluding preferred stock valued at \$186,000,000 at that date. The adoption also resulted in dividends on preferred stock being reclassified from distributions on the statement of changes in net assets to a separate line item within the statement of operations. This resulted in a decrease of \$3,420,665 and \$5,551,745 to net assets from operations for the periods ended November 30, 2002 and November 30, 2001, respectively. As part of the adoption, per share distributions of dividends on preferred stock was reclassified from distributions to amounts from investment operations for each period presented in the financial highlights.

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors Dreyfus Strategic Municipal Bond Fund, Inc.

We have audited the accompanying statement of assets and liabilities of Dreyfus Strategic Municipal Bond Fund, Inc., including the statement of investments, as of November 30, 2002, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the years indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included verification by examination of securities held by the custodian as of November 30, 2002 and confirmation of securities not held by the custodian by correspondence with others. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Dreyfus Strategic Municipal Bond Fund, Inc. at November 30, 2002, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the indicated years, in conformity with accounting principles generally accepted in the United States.

New York, New York

January 7, 2003

The Fund

IMPORTANT TAX INFORMATION (Unaudited)

In accordance with federal tax law, the fund hereby designates all the dividends

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

paid from investment income-net during the fiscal year ended November 30, 2002 as "exempt-interest dividends" (not generally subject to regular federal income tax).

As required by federal tax law rules, shareholders will receive notification of their portion of the fund's taxable ordinary dividends and capital gain distributions paid for the 2002 calendar year on Form 1099-DIV which will be mailed by January 31, 2003.

ADDITIONAL INFORMATION (Unaudited)

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

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

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

A Common Shareholder who has fund shares registered in his name may elect to withdraw from the Plan at any time for a \$5.00 fee and thereby elect to receive cash in lieu of shares of the fund. Changes in elections must be by direct mail to PFPC Global Fund Services, Attention: Closed-End funds, Post Office Box 8030, Boston, Massachusetts 02266, or by telephone at 1-800-331-1710, and should include the shareholder's name and address as they appear on the Agent's records. Elections received by the Agent will be effective only if received prior to the record date for any distribution.

The Agent maintains all Common Shareholder accounts in the Plan and furnishes written confirmations of all transactions in the account. Shares in the account of each Plan participant will be held by the Agent in non-

ADDITIONAL INFORMATION (Unaudited) (CONTINUED)

certificated form in the name of the participant, and each such participant's proxy will include those shares purchased pursuant to the Plan.

The fund pays the Agent's fee for reinvestment of dividends and distributions. Plan participants pay a pro rata share of brokerage commissions incurred with respect to the Agent's open market purchases in connection with the reinvestment of dividends or distributions.

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

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

least 90 days' written notice to Plan participants.

MANAGED DIVIDEND POLICY

The fund's dividend policy is to distribute substantially all of its net investment income to its shareholders on a monthly basis. In order to provide shareholders with a more consistent yield to the current trading price of shares of Common Stock of the fund, the fund may at times pay out less than the entire amount of net investment income earned in any particular month and may at times in any month pay out such accumulated but undistributed income in addition to net investment income earned in that month. As a result, the dividends paid by the fund for any particular month may be more or less than the amount of net investment income earned by the fund during such month. The fund's current accumulated but undistributed net investment income, if any, is disclosed in the Statement of Assets and Liabilities, which comprises part of the Financial Information included in this report.

BENEFITS AND RISKS OF LEVERAGING

The fund utilizes leverage to seek to enhance the yield and net asset value of its Common Stock. These objectives cannot be achieved in all interest rate environments. To leverage, the fund issues Preferred Stock, which pays dividends at prevailing short-term interest rates, and invests the proceeds in long-term municipal bonds. The interest earned on these investments is paid to Common Shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share net asset value of the fund's Common Stock. In order to benefit Common Shareholders, the yield curve must be positively sloped: that is, short-term interest rates must be lower than long-term interest rates. At the same time, a period of generally declining interest rates will benefit Common Shareholders. If either of these conditions change, then the risk of leveraging will begin to outweigh the benefits.

SUPPLEMENTAL INFORMATION

For the period ended November 30, 2002, there were: (i) no material changes in the fund's investment objectives or policies, (ii) no changes in the fund's charter or by-laws that would delay or prevent a change of control of the fund, (iii) no material changes in the principal risk factors associated with investment in the fund, and (iv) no changes in the person primarily responsible for the day-to-day management of the fund's portfolio.

The Fund

PROXY RESULTS (Unaudited)

Holders of common stock and holders Auction Preferred Stock, voted together as a single class (except as noted below) on a proposal presented at the annual shareholders' meeting held on May 10, 2002 as follows:

	Shares	

	For Authority Withheld	

To elect three Class III Directors:(+)		
David W. Burke	42,828,211	736,910
Hans C. Mautner	42,831,817	733,304
John E. Zuccotti((+)(+))	6,488	9

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

((+)) THE TERMS OF THESE CLASS III DIRECTORS EXPIRE IN 2005.

((+)(+)) ELECTED SOLELY BY APS HOLDERS.

BOARD MEMBERS INFORMATION (Unaudited)

JOSEPH S. DIMARTINO (59)
CHAIRMAN OF THE BOARD (1995)
CURRENT TERM EXPIRES IN 2003

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

* Corporate Director and Trustee

OTHER BOARD MEMBERSHIPS AND AFFILIATIONS:

- * The Muscular Dystrophy Association, Director
- * Levcor International, Inc., an apparel fabric processor, Director
- * Century Business Services, Inc., a provider of outsourcing functions for small and medium size companies, Director
- * The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director

NO. OF PORTFOLIOS FOR WHICH BOARD MEMBER SERVES: 190

DAVID W. BURKE (66)
BOARD MEMBER (1994)
CURRENT TERM EXPIRES IN 2005

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

* Corporate Director and Trustee.

OTHER BOARD MEMBERSHIPS AND AFFILIATIONS:

- * John F. Kennedy Library Foundation, Director
- * U.S.S. Constitution Museum, Director

NO. OF PORTFOLIOS FOR WHICH BOARD MEMBER SERVES: 59

HODDING CARTER III (67)
BOARD MEMBER (1988)
CURRENT TERM EXPIRES IN 2003

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

- * President and Chief Executive Officer of the John S. and James L. Knight Foundation (1998-Present)
- * President and Chairman of MainStreet TV (1985-1998)
- * Knight Professor in Journalism at the University of Maryland (1995-1998)

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

NO. OF PORTFOLIOS FOR WHICH BOARD MEMBER SERVES: 7

The Fund

BOARD MEMBERS INFORMATION (Unaudited) (CONTINUED)

EHUD HOUMINER (62)
BOARD MEMBER (1996)
CURRENT TERM EXPIRES IN 2004

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

- * Professor and Executive-in-Residence at the Columbia Business School, Columbia University
- * Principal of Lear, Yavitz and Associates, a management consulting firm

OTHER BOARD MEMBERSHIPS AND AFFILIATIONS:

- * Avnet Inc., an electronics distributor, Director
- * Super Sol Limited, an Israeli supermarket chain, Director

NO. OF PORTFOLIOS FOR WHICH BOARD MEMBER SERVES: 21

RICHARD C. LEONE (62)
BOARD MEMBER (1976)
CURRENT TERM EXPIRES IN 2003

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

- * President of The Century Foundation (formerly The Twentieth Century Fund, Inc.), a tax exempt research foundation engaged in the study of economic, foreign policy and domestic issues

NO. OF PORTFOLIOS FOR WHICH BOARD MEMBER SERVES: 7

HANS C. MAUTNER (65)
BOARD MEMBER (1978)
CURRENT TERM EXPIRES IN 2005

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

- * Vice Chairman and a Director of Simon Property Group, a real estate investment company, (1998-Present)
- * Chairman of Simon Global Limited (1998-Present)
- * Chairman, Chief Executive Officer and a Trustee of Corporate Property Investors (1977-1998)

NO. OF PORTFOLIOS FOR WHICH BOARD MEMBER SERVES: 7

ROBIN A. PRINGLE (39)
BOARD MEMBER (1995)
CURRENT TERM EXPIRES IN 2004

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

- * Senior Vice President of The National Mentoring Partnership (formerly, The One to One Partnership), a national non-profit organization that seeks to promote mentoring and economic empowerment for at-risk youths.

NO. OF PORTFOLIOS FOR WHICH BOARD MEMBER SERVES: 7

JOHN E. ZUCCOTTI (65)
BOARD MEMBER (1984)
CURRENT TERM EXPIRES IN 2005

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

- * Chairman of Brookfield Financial Properties, Inc.

NO. OF PORTFOLIOS FOR WHICH BOARD MEMBER SERVES: 7

THE ADDRESS OF EACH BOARD MEMBERS IS C/O THE DREYFUS CORPORATION, 200 PARK AVENUE, NEW YORK, NEW YORK 10166.

The Fund

OFFICERS OF THE FUND (Unaudited)

STEPHEN E. CANTER, PRESIDENT SINCE MARCH 2000.

Chairman of the Board, Chief Executive Officer and Chief Operating Officer of the Manager, and an officer of 94 investment companies (comprised of 188 portfolios) managed by Dreyfus. Mr. Canter also is a Board member and, where applicable, an Executive Committee Member of the other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of Dreyfus. He is 57 years old, and has been an employee of Dreyfus since May 1995

STEPHEN R. BYERS, EXECUTIVE VICE PRESIDENT SINCE NOVEMBER 2002.

Chief Investment Officer, Vice Chairman and a Director of Dreyfus, and an officer of 94 investment companies (comprised of 188 portfolios) managed by Dreyfus. Mr. Byers also is an Officer, Director or an Executive Committee Member of certain other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of Dreyfus. He is 49 years old and has been an employee of Dreyfus since January 2000. Prior to joining Dreyfus, he served as an Executive Vice President-Capital Markets, Chief Financial Officer and Treasurer at Gruntal & Co., L.L.C.

A. PAUL DISDIER, EXECUTIVE VICE PRESIDENT SINCE MARCH 2000.

Executive Vice President of the Fund, Director of Dreyfus Municipal Securities, and an officer of 3 other investment companies (comprised of 3 portfolios) managed by Dreyfus. He is 47 years old and has been an employee of Dreyfus since February 1988.

MARK N. JACOBS, VICE PRESIDENT SINCE MARCH 2000.

Executive Vice President, Secretary and General Counsel of Dreyfus, and an officer of 95 investment companies (comprised of 202 portfolios) managed by Dreyfus. He is 56 years old, and has been an employee of Dreyfus since June

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

1977.

JOHN B. HAMMALIAN, SECRETARY SINCE MARCH 2000.

Associate General Counsel of Dreyfus, and an officer of 36 investment companies (comprised of 43 portfolios) managed by Dreyfus. He is 39 years old, and has been an employee of Dreyfus since February 1991.

MICHAEL A. ROSENBERG, ASSISTANT SECRETARY SINCE MARCH 2000.

Associate General Counsel of Dreyfus, and an officer of 93 investment companies (comprised of 198 portfolios) managed by Dreyfus. He is 42 years old, and has been an employee of Dreyfus since October 1991.

STEVEN F. NEWMAN, ASSISTANT SECRETARY SINCE MARCH 2000.

Associate General Counsel and Assistant Secretary of Dreyfus, and an officer of 95 investment companies (comprised of 202 portfolios) managed by Dreyfus. He is 53 years old, and has been an employee of Dreyfus since July 1980.

JAMES WINDELS, TREASURER SINCE NOVEMBER 2001.

Director-Mutual Fund Accounting of Dreyfus, and an officer of 95 investment companies (comprised of 202 portfolios) managed by Dreyfus. He is 44 years old and has been an employee of Dreyfus since April 1985.

GREGORY S. GRUBER, ASSISTANT TREASURER SINCE MARCH 2000.

Senior Accounting Manager - Municipal Bond Funds of Dreyfus, and an officer of 29 investment companies (comprised of 55 portfolios) managed by Dreyfus. He is 43 years old, and has been an employee of Dreyfus since August 1981.

KENNETH J. SANDGREN, ASSISTANT TREASURER SINCE NOVEMBER 2001.

Mutual Funds Tax Director of Dreyfus, and an officer of 95 investment companies (comprised of 202 portfolios) managed by Dreyfus. He is 48 years old, and has been an employee of Dreyfus since June 1993.

OFFICERS AND DIRECTORS

Dreyfus Strategic Municipal Bond Fund, Inc.

200 Park Avenue
New York, NY 10166

DIRECTORS

Joseph S. DiMartino
David W. Burke
Hodding Carter, III
Ehud Houminer
Richard C. Leone
Hans C. Mautner
Robin A. Pringle ((+))
John E. Zuccotti ((+))

((+)) AUCTION PREFERRED STOCK DIRECTORS

OFFICERS

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

President

Stephen E. Canter

Executive Vice President

Paul Disdier

Vice President

Mark N. Jacobs

Secretary

John B. Hammalian

Assistant Secretaries

Steven F. Newman

Michael A. Rosenberg

Treasurer

James Windels

Assistant Treasurers

Gregory S. Gruber

Kenneth J. Sandgren

PORTFOLIO MANAGERS

Joseph P. Darcy

A. Paul Disdier

Douglas J. Gaylor

Joseph A. Irace

PORTFOLIO MANAGERS (CONTINUED)

Colleen A. Meehan

W. Michael Petty

Scott Sprauer

James Welch

Monica S. Wieboldt

INVESTMENT ADVISER AND ADMINISTRATOR

The Dreyfus Corporation

CUSTODIAN

Boston Safe Deposit and Trust Company

COUNSEL

Stroock & Stroock & Lavan LLP

TRANSFER AGENT, DIVIDEND-PAYING AGENT, REGISTRAR AND DISBURSING AGENT

PFPC Global Fund Services

(Common Stock)

Deutsche Bank (Auction Preferred Stock)

AUCTION AGENT

Deutsche Bank (Auction Preferred Stock)

STOCK EXCHANGE LISTING

NYSE Symbol: DSM

INITIAL SEC EFFECTIVE DATE

11/22/89

Edgar Filing: DREYFUS STRATEGIC MUNICIPAL BOND FUND INC - Form N-30D

THE NET ASSET VALUE APPEARS IN THE FOLLOWING PUBLICATIONS: BARRON'S, CLOSED-END BOND FUNDS SECTION UNDER THE HEADING "MUNICIPAL BOND FUNDS" EVERY MONDAY; WALL STREET JOURNAL, MUTUAL FUNDS SECTION UNDER THE HEADING "CLOSED-END FUNDS" EVERY MONDAY; NEW YORK TIMES, BUSINESS SECTION UNDER THE HEADING "CLOSED-END BOND FUNDS--MUNICIPAL BOND FUNDS" EVERY MONDAY.

NOTICE IS HEREBY GIVEN IN ACCORDANCE WITH SECTION 23(C) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, THAT THE FUND MAY PURCHASE SHARES OF ITS COMMON STOCK IN THE OPEN MARKET WHEN IT CAN DO SO AT PRICES BELOW THE THEN CURRENT NET ASSET VALUE PER SHARE.

The Fund

For More Information

Dreyfus Strategic Municipal
Bond Fund, Inc.
200 Park Avenue
New York, NY 10166

Manager

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

Boston Safe Deposit and Trust Company
One Boston Place
Boston, MA 02108

Transfer Agent,
Dividend-Paying Agent,
Registrar and Disbursing Agent

PFPC Global Fund Services
(Common Stock)
101 Federal Street
Boston, MA 02110

(c) 2003 Dreyfus Service Corporation

852AR1102