

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

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**FORM N-CSR**

**Item 1. Reports to Stockholders.**

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**Dreyfus Strategic Municipals, Inc.**

**Protecting Your Privacy  
Our Pledge to You**

**THE FUND IS COMMITTED TO YOUR PRIVACY.** On this page, you will find the Fund's policies and practices for collecting, disclosing, and safeguarding [nonpublic personal information,] which may include financial or other customer information. These policies apply to individuals who purchase Fund shares for personal, family, or household purposes, or have done so in the past. This notification replaces all previous statements of the Fund's consumer privacy policy, and may be amended at any time. We'll keep you informed of changes as required by law.

**YOUR ACCOUNT IS PROVIDED IN A SECURE ENVIRONMENT.** The Fund maintains physical, electronic and procedural safeguards that comply with federal regulations to guard nonpublic personal information. The Fund's agents and service providers have limited access to customer information based on their role in servicing your account.

**THE FUND COLLECTS INFORMATION IN ORDER TO SERVICE AND ADMINISTER YOUR ACCOUNT.**

The Fund collects a variety of nonpublic personal information, which may include:

- Information we receive from you, such as your name, address, and social security number.
- Information about your transactions with us, such as the purchase or sale of Fund shares.
- Information we receive from agents and service providers, such as proxy voting information.

**THE FUND DOES NOT SHARE NONPUBLIC**

**PERSONAL INFORMATION WITH ANYONE, EXCEPT AS PERMITTED BY LAW.**

*Thank you for this opportunity to serve you.*

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

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).<sup>1</sup> During the same period, the fund provided income dividends of \$0.252 per share, which is equal to a distribution rate of 5.92%.<sup>2</sup>

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

<sup>1</sup> 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.

<sup>2</sup> 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)

| <b>Long-Term Municipal Investments</b>   | <b>Coupon Rate (%)</b> | <b>Maturity Date</b> | <b>Principal Amount (\$)</b> | <b>Value (\$)</b> |
|--|------------------------|----------------------|------------------------------|-------------------|
| <b>Investments 159.8%</b>  |                        |                      |                              |                   |
| <b>Alabama 1.6%</b>  |                        |                      |                              |                   |
| Houston County Health Care Authority, GO (Insured; AMBAC)  | 6.25                   | 10/1/09              | 8,000,000 <sup>a</sup>       | 8,584,400         |
| <b>Alaska .8%</b>  |                        |                      |                              |                   |
| Alaska Housing Finance Corporation, General Mortgage Revenue (Insured; MBIA)                                 | 6.00                   | 6/1/49               | 4,000,000                    | 4,053,000         |
| <b>Arizona 3.2%</b>  |                        |                      |                              |                   |
| 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 <sup>a</sup> | 6,695,940 |
| <b>Arkansas 5.5%</b>  |      |          |                        |           |
| Arkansas Development Finance Authority, SFMR (Mortgage Backed Securities Program) (Collateralized: FNMA and GNMA) | 6.25 | 1/1/32   | 2,420,000              | 2,493,471 |
| <b>California 13.3%</b>   |      |          |                        |           |
| California, GO  | 5.25 | 4/1/34   | 5,000                  | 5,025     |
| California, GO (Various Purpose)  | 5.50 | 4/1/14   | 3,385,000 <sup>a</sup> | 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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| <b>Long-Term Municipal Investments (continued)</b>  | Coupon Rate (%) | Maturity Date | Principal Amount (\$)   | Value (\$) |
|---|-----------------|---------------|-------------------------|------------|
| <b>California (continued)</b>   |                 |               |                         |            |
| 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 <sup>b</sup> | 14,654,100 |
| Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds                          | 7.80            | 6/1/13        | 8,100,000 <sup>a</sup>  | 9,774,270  |
| Golden State Tobacco  |                 |               |                         |            |

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

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

| <b>Long-Term Municipal<br/>Investments (continued)</b>   | Coupon<br>Rate (%) | Maturity<br>Date | Principal<br>Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------|
| <b>Colorado (continued)</b>  |                    |                  |                          |            |
| Colorado Health Facilities<br>Authority, Revenue (American<br>Baptist Homes of the Midwest<br>Obligated Group) | 5.90               | 8/1/37           | 3,000,000                | 2,638,230  |
| Colorado Housing Finance Authority<br>(Single Family Program)<br>(Collateralized; FHA)                         | 6.60               | 8/1/32           | 1,645,000                | 1,756,301  |
| Denver City and County,<br>Special Facilities Airport Revenue<br>(United Air Lines Project)                    | 5.75               | 10/1/32          | 5,000,000                | 4,070,700  |
| Northwest Parkway Public Highway<br>Authority, Revenue   | 7.13               | 6/15/11          | 10,750,000 <sup>a</sup>  | 12,149,758 |
| Southlands Metropolitan District<br>Number 1, GO   | 7.13               | 12/1/14          | 2,000,000 <sup>a</sup>   | 2,439,060  |
| <b>Florida 4.4%</b>  |                    |                  |                          |            |
| Florida Housing Finance<br>Corporation, Housing Revenue<br>(Nelson Park Apartments)<br>(Insured; FSA)          | 6.40               | 3/1/40           | 5,000                    | 5,091      |
| Jacksonville Economic Development<br>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 <sup>c,d</sup> | 12,599,359 |
| Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)  | 6.00 | 10/1/09 | 45,000 <sup>a</sup>       | 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 <sup>a</sup> | 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 <sup>a</sup> 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 <sup>a</sup> 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 <sup>a</sup> 5,092

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

6.13 11/15/10 4,020,000 <sup>a</sup> 4,391,810

Illinois Health Facilities  
Authority, Revenue (OSF  
Healthcare System)

6.25 11/15/09 7,730,000 <sup>a</sup> 8,287,178

Illinois Health Facilities  
Authority, Revenue (Swedish  
American Hospital)

6.88 5/15/10 4,950,000 <sup>a</sup> 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 |
| <b>Indiana</b> 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 <sup>a</sup> | 7,168,785 |
| SWDR (Indianapolis Power and Light Company Project)   | 6.38 | 11/1/29 | 4,150,000              | 4,218,683 |
| <b>Kansas</b> 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 (\$) |
|--|-----------------|---------------|-----------------------|------------|
| <b>Kansas (continued)</b>  |                 |               |                       |            |
| 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 |
| <b>Kentucky</b> 2.3%   |                 |               |                       |            |
| Kentucky Area Development Districts Financing Trust, COP   |                 |               |                       |            |

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

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STATEMENT OF INVESTMENTS (Unaudited) (continued)

| <b>Long-Term Municipal<br/>Investments (continued)</b>  | Coupon<br>Rate (%) | Maturity<br>Date | Principal<br>Amount (\$) | Value (\$) |
|---|--------------------|------------------|--------------------------|------------|
| <b>Louisiana (continued)</b>  |                    |                  |                          |            |
| Louisiana Local Government<br>Environmental Facilities and<br>Community Development<br>Authority, Revenue (Westlake<br>Chemical Corporation Projects) | 6.75               | 11/1/32          | 5,000,000                | 4,794,650  |
| Saint James Parish,<br>SWDR (Freeport-McMoRan<br>Partnership Project)   | 7.70               | 10/1/22          | 1,405,000                | 1,405,787  |
| <b>Maine</b> 0.5%   |                    |                  |                          |            |
| Maine Housing Authority,<br>Mortgage Purchase   | 5.30               | 11/15/23         | 2,825,000                | 2,865,285  |
| <b>Maryland</b> 1.9%  |                    |                  |                          |            |
| Maryland Community Development<br>Administration, Department of<br>Housing and Community<br>Development, Residential Revenue                          | 5.75               | 9/1/37           | 2,430,000                | 2,526,422  |
| Maryland Economic Development<br>Corporation, Senior Student<br>Housing Revenue (University of<br>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 <sup>a</sup> | 3,509,880 |
| <b>Massachusetts 2.6%</b>   |      |          |                        |           |
| Massachusetts Health and Educational Facilities Authority, Revenue (Civic Investments Issue)                      | 9.00 | 12/15/12 | 1,700,000 <sup>a</sup> | 2,061,981 |
| Massachusetts Health and Educational Facilities Authority, Revenue (Partners HealthCare System Issue)             | 5.75 | 7/1/11   | 4,815,000 <sup>a</sup> | 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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| <b>Long-Term Municipal Investments (continued)</b>   | Coupon Rate (%) | Maturity Date | Principal Amount (\$)  | Value (\$) |
|--|-----------------|---------------|------------------------|------------|
| <b>Michigan 7.3%</b>   |                 |               |                        |            |
| 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 <sup>a</sup> | 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,<br>SWDR (Genesee Power<br>Station Project)  | 7.50 | 1/1/21  | 12,900,000 | 12,208,173 |
| <b>Minnesota 6.7%</b>  |      |         |            |            |
| Dakota County Community<br>Development Agency, SFMR<br>(Mortgage-Backed Securities<br>Program) (Collateralized:<br>FHLMC, FNMA and GNMA) | 5.15 | 12/1/38 | 2,455,490  | 2,424,403  |
| Dakota County Community<br>Development Agency, SFMR<br>(Mortgage-Backed Securities<br>Program) (Collateralized:<br>FHLMC, FNMA and GNMA) | 5.30 | 12/1/39 | 4,830,351  | 4,890,875  |
| Duluth Economic Development<br>Authority, Health Care<br>Facilities Revenue (Saint<br>Luke's Hospital)                                   | 7.25 | 6/15/32 | 5,000,000  | 5,176,500  |
| North Oaks,<br>Senior Housing Revenue<br>(Presbyterian Homes of North<br>Oaks, Inc. Project)   | 6.25 | 10/1/47 | 5,265,000  | 5,163,701  |

The Fund **13**

STATEMENT OF INVESTMENTS (Unaudited) (continued)

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

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

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

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

The Fund 15

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 <sup>a</sup>

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 |
| <b>New York</b> 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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| <b>Long-Term Municipal Investments (continued)</b>   | Coupon Rate (%) | Maturity Date | Principal Amount (\$) | Value (\$) |
|--|-----------------|---------------|-----------------------|------------|
| <b>New York (continued)</b>  |                 |               |                       |            |
| Triborough Bridge and Tunnel Authority, Revenue  | 5.25            | 11/15/30      | 5,220,000             | 5,303,416  |
| <b>North Carolina</b> 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  |
| <b>North Dakota</b> 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    |
| <b>Ohio 10.9%</b>   |      |         |            |            |
| 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  |

The Fund 17

STATEMENT OF INVESTMENTS (Unaudited) (continued)

| <b>Long-Term Municipal Investments (continued)</b>  | Coupon Rate (%) | Maturity Date | Principal Amount (\$)   | Value (\$) |
|---|-----------------|---------------|-------------------------|------------|
| <b>Ohio (continued)</b>   |                 |               |                         |            |
| Ohio Air Quality Development Authority, PCR (FirstEnergy Generation Corporation Project) (Insured; AMBAC)                             | 10.24           | 8/1/20        | 12,000,000 <sup>e</sup> | 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  |
| <b>Oklahoma 2.8%</b>  |                 |               |                         |            |

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

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

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

The Fund **19**

STATEMENT OF INVESTMENTS (Unaudited) (continued)

| <b>Long-Term Municipal<br/>Investments (continued)</b>   | Coupon<br>Rate (%) | Maturity<br>Date | Principal<br>Amount (\$) | Value (\$) |
|--|--------------------|------------------|--------------------------|------------|
| <b>Texas (continued)</b>   |                    |                  |                          |            |
| Cities of Dallas and Fort Worth,<br>Dallas/Fort Worth<br>International Airport, Revenue<br>(Insured; MBIA)   | 6.25               | 11/1/28          | 3,000,000 <sup>b</sup>   | 3,003,360  |
| Gulf Coast Industrial Development<br>Authority, Environmental<br>Facilities Revenue (Microgy<br>Holdings Project)  | 7.00               | 12/1/36          | 6,000,000                | 5,270,880  |
| Harris County Health Facilities<br>Development Corporation, HR<br>(Memorial Hermann<br>Healthcare System)<br>Houston,<br>Airport System Special Facilities | 6.38               | 6/1/11           | 8,500,000 <sup>a</sup>   | 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 <sup>b</sup> | 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 <sup>f</sup>    | 969,309    |

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| <b>Long-Term Municipal Investments (continued)</b>   | Coupon Rate (%) | Maturity Date | Principal Amount (\$)   | Value (\$) |
|--|-----------------|---------------|-------------------------|------------|
| <b>Texas (continued)</b>   |                 |               |                         |            |
| 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  |
| <b>Vermont 2.2%</b>  |                 |               |                         |            |
| Vermont Housing Finance Agency, SFHR (Insured; FSA)  | 6.40            | 11/1/30       | 910,000                 | 923,914    |
| <b>Virginia 2.3%</b>   |                 |               |                         |            |
| 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 <sup>a</sup> | 11,479,230 |

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

The Fund **21**

STATEMENT OF INVESTMENTS (Unaudited) (continued)

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

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**Wyoming** 0.8%

|  |      |         |           |           |
|--|------|---------|-----------|-----------|
| Sweetwater County,<br>SWDR (FMC Corporation Project) | 5.60 | 12/1/35 | 4,500,000 | 4,086,720 |
|--|------|---------|-----------|-----------|

**U.S. Related** 1.4%

|  |      |        |                        |           |
|--|------|--------|------------------------|-----------|
| Guam Housing Corporation,<br>SFMR (Guaranteed<br>Mortgage-Backed Securities<br>Program) (Collateralized; FHLMC)<br>Puerto Rico Highways and<br>Transportation Authority,<br>Transportation Revenue | 5.75 | 9/1/31 | 965,000                | 970,896   |
|  | 6.00 | 7/1/10 | 6,000,000 <sup>a</sup> | 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<br>Rate (%) | Maturity<br>Date | Principal<br>Amount (\$) | Value (\$)       |
|--|--------------------|------------------|--------------------------|------------------|
| <b>Massachusetts</b> 0.4%  |                    |                  |                          |                  |
| Massachusetts Development Finance<br>Agency, Revenue (WGBH<br>Educational Foundation Issue)<br>(Insured; AMBAC and Liquidity<br>Facility; Royal Bank of Canada)  | 8.00               | 4/7/08           | 1,900,000 <sup>g</sup>   | 1,900,000        |
| <b>Pennsylvania</b> 0.5%   |                    |                  |                          |                  |
| Pennsylvania Intergovernmental<br>Cooperation Authority, Special<br>Tax Revenue, Refunding (City<br>of Philadelphia Funding<br>Program) (Insured; AMBAC and<br>Liquidity Facility; JPMorgan<br>Chase Bank) | 10.00              | 4/7/08           | 2,600,000 <sup>g</sup>   | 2,600,000        |
| <b>Total Short-Term Municipal Investments</b><br>(cost \$4,500,000)  |                    |                  |                          | <b>4,500,000</b> |

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

<sup>a</sup> 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.

<sup>b</sup> Purchased on a delayed delivery basis.

<sup>c</sup> 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.

<sup>d</sup> Collateral for floating rate borrowings.

<sup>e</sup> Variable rate security interest rate subject to periodic change.

<sup>f</sup> Inverse floater security the interest rate is subject to change periodically.

<sup>g</sup> Securities payable on demand. Variable interest rate subject to periodic change.

The Fund **23**

### STATEMENT OF INVESTMENTS (Unaudited) (continued)

#### Summary of Abbreviations

|               |  |              |  |
|---------------|--|--------------|--|
| <b>ACA</b>    | American Capital Access                  | <b>AGC</b>   | ACE Guaranty Corporation                                 |
| <b>AGIC</b>   | Asset Guaranty Insurance Company         | <b>AMBAC</b> | American Municipal Bond Assurance Corporation            |
| <b>ARRN</b>   | Adjustable Rate Receipt Notes            | <b>BAN</b>   | Bond Anticipation Notes                                  |
| <b>BIGI</b>   | Bond Investors Guaranty Insurance        | <b>BPA</b>   | Bond Purchase Agreement                                  |
| <b>CGIC</b>   | Capital Guaranty Insurance Company       | <b>CIC</b>   | Continental Insurance Company                            |
| <b>CIFG</b>   | CDC Ixis Financial Guaranty              | <b>CMAC</b>  | Capital Market Assurance Corporation                     |
| <b>COP</b>    | Certificate of Participation             | <b>CP</b>    | Commercial Paper   |
| <b>EDR</b>    | Economic Development Revenue             | <b>EIR</b>   | Environmental Improvement Revenue                        |
| <b>FGIC</b>   | Financial Guaranty Insurance Company     | <b>FHA</b>   | Federal Housing Administration                           |
| <b>FHLB</b>   | Federal Home Loan Bank                   | <b>FHLMC</b> | Federal Home Loan Mortgage Corporation                   |
| <b>FNMA</b>   | Federal National Mortgage Association    | <b>FSA</b>   | Financial Security Assurance                             |
| <b>GAN</b>    | Grant Anticipation Notes                 | <b>GIC</b>   | Guaranteed Investment Contract                           |
| <b>GNMA</b>   | Government National Mortgage Association | <b>GO</b>    | General Obligation                                       |
| <b>HR</b>     | Hospital Revenue                         | <b>IDB</b>   | Industrial Development Board                             |
| <b>IDC</b>    | Industrial Development Corporation       | <b>IDR</b>   | Industrial Development Revenue                           |
| <b>LOC</b>    | Letter of Credit                         | <b>LOR</b>   | Limited Obligation Revenue                               |
| <b>LR</b>     | Lease Revenue                            | <b>MBIA</b>  | Municipal Bond Investors Assurance Insurance Corporation |
| <b>MFHR</b>   | Multi-Family Housing Revenue             | <b>MFMR</b>  | Multi-Family Mortgage Revenue                            |
| <b>PCR</b>    | Pollution Control Revenue                | <b>PILOT</b> | Payment in Lieu of Taxes                                 |
| <b>RAC</b>    | Revenue Anticipation Certificates        | <b>RAN</b>   | Revenue Anticipation Notes                               |
| <b>RAW</b>    | Revenue Anticipation Warrants            | <b>RRR</b>   | Resources Recovery Revenue                               |
| <b>SAAN</b>   | State Aid Anticipation Notes             | <b>SBPA</b>  | Standby Bond Purchase Agreement                          |
| <b>SFHR</b>   | Single Family Housing Revenue            | <b>SFMR</b>  | Single Family Mortgage Revenue                           |
| <b>SONYMA</b> | State of New York Mortgage Agency        | <b>SWDR</b>  | Solid Waste Disposal Revenue                             |

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|             |                                    |             |                           |
|-------------|------------------------------------|-------------|---------------------------|
| <b>TAN</b>  | Tax Anticipation Notes             | <b>TAW</b>  | Tax Anticipation Warrants |
| <b>TRAN</b> | Tax and Revenue Anticipation Notes | <b>XLCA</b> | XL Capital Assurance      |

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Summary of Combined Ratings (Unaudited)

| Fitch                  | or | Moody's                | or | Standard & Poor's      | Value (%) <sup>□</sup> |
|------------------------|----|------------------------|----|------------------------|------------------------|
| 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 <sup>h</sup> |    | Not Rated <sup>h</sup> |    | Not Rated <sup>h</sup> | 10.1                   |
|                        |    |                        |    |                        | <b>100.0</b>           |

<sup>□</sup> Based on total investments.

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

See notes to financial statements.

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STATEMENT OF ASSETS AND LIABILITIES

March 31, 2008 (Unaudited)

|   | Cost        | Value              |
|---|-------------|--------------------|
| <b>Assets (\$):</b>                                     |             |                    |
| 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             |
|   |             | <b>872,964,188</b> |
| <b>Liabilities (\$):</b>                                |             |                    |
| 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           |
|                     | <b>63,340,698</b> |

|   |             |
|---|-------------|
| <b>Auction Preferred Stock</b> , Series M,T,W,Th and F,<br>par value \$.001 per share (11,400 shares<br>issued and outstanding at \$25,000 per share<br>liquidation preference)[]Note 1 | 285,000,000 |
|---|-------------|

|  |                    |
|--|--------------------|
| <b>Net Assets applicable to Common Shareholders (\$)</b> | <b>524,623,490</b> |
|--|--------------------|

**Composition of Net Assets (\$):**

|  |              |
|--|--------------|
| Common Stock, par value \$.001 per share (60,720,834<br>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<br>(depreciation) on investments               | 3,804,285    |

|  |                    |
|--|--------------------|
| <b>Net Assets applicable to Common Shareholders (\$)</b> | <b>524,623,490</b> |
|--|--------------------|

**Shares Outstanding**

|   |             |
|---|-------------|
| (500 million shares authorized)                         | 60,720,834  |
| <b>Net Asset Value</b> , per share of Common Stock (\$) | <b>8.64</b> |

See notes to financial statements.

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**STATEMENT OF OPERATIONS**

Six Months Ended March 31, 2008 (Unaudited)

**Investment Income (\$):**

|  |                   |
|--|-------------------|
| <b>Interest Income</b>                   | <b>24,324,315</b> |
| <b>Expenses:</b>                         |                   |
| 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            |

|  |                     |
|--|---------------------|
| <b>Total Expenses</b>  | <b>4,328,843</b>    |
| 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)             |
| <b>Net Expenses</b>  | <b>3,906,803</b>    |
| <b>Investment Income Net</b>   | <b>20,417,512</b>   |
| <hr/>  |                     |
| <b>Realized and Unrealized Gain (Loss) on Investments Note 4 (\$):</b> |                     |
| Net realized gain (loss) on investments                                | (4,929,681)         |
| Net unrealized appreciation (depreciation) on investments              | (23,798,220)        |
| <b>Net Realized and Unrealized Gain (Loss) on Investments</b>          | <b>(28,727,901)</b> |
| <b>Dividends on Preferred Stock</b>                                    | <b>(5,362,739)</b>  |
| <b>Net (Decrease) in Net Assets Resulting from Operations</b>          | <b>(13,673,128)</b> |

See notes to financial statements.

The Fund

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STATEMENT OF CHANGES IN NET ASSETS

|  | Six Months Ended<br>March 31, 2008<br>(Unaudited) | Year Ended<br>September 30, 2007 |
|--|---|----------------------------------|
| <b>Operations (\$):</b>  |   |                                  |
| 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)                     |
| <b>Net Increase (Decrease) in Net Assets Resulting from Operations</b> | <b>(13,673,128)</b>                               | <b>9,523,215</b>                 |
| <b>Dividends to Common Shareholders from (\$):</b>                     |   |                                  |
| <b>Investment income net</b>   | <b>(15,301,649)</b>                               | <b>(30,564,302)</b>              |
| <b>Capital Stock Transactions (\$):</b>                                |   |                                  |
| <b>Dividends reinvested</b>  | <b>0</b>  | <b>1,248,316</b>                 |
| <b>Total Increase (Decrease) in Net Assets</b>                         | <b>(28,974,777)</b>                               | <b>(19,792,771)</b>              |
| <b>Net Assets (\$):</b>  |   |                                  |
| Beginning of Period  | 553,598,267                                       | 573,391,038                      |
| <b>End of Period</b>   | <b>524,623,490</b>                                | <b>553,598,267</b>               |

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|   |         |                |
|---|---------|----------------|
| Undistributed investment income <sup>(1)</sup> net                        | 579,684 | 826,560        |
| <hr/>   |         |                |
| <b>Capital Share Transactions (Shares):</b>                               |         |                |
| <b>Increase in Shares Outstanding as a Result of Dividends Reinvested</b> | □       | <b>132,203</b> |

See notes to financial statements.

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## FINANCIAL HIGHLIGHTS

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

|  | Six Months Ended<br>March 31, 2008<br><br>(Unaudited) | Year Ended September 30, |       |       |       |       |
|--|---|--------------------------|-------|-------|-------|-------|
|  |   | 2007                     | 2006  | 2005  | 2004  | 2003  |
| <hr/>  |   |                          |       |       |       |       |
| <b>Per Share Data (\$):</b>  |   |                          |       |       |       |       |
| Net asset value, beginning of period                                   | 9.12  | 9.46                     | 9.38  | 9.18  | 9.14  | 9.37  |
| Investment Operations:   |   |                          |       |       |       |       |
| Investment income <sup>(1)</sup> net <sup>a</sup>                      | .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 <sup>(1)</sup> 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 <sup>(1)</sup> 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/>  |   |                          |       |       |       |       |
| <b>Total Return (%)<sup>b</sup></b>                                    | .23 <sup>c</sup>                                      | .46                      | 9.74  | 6.87  | 1.55  | .33   |

The Fund **29**

FINANCIAL HIGHLIGHTS (continued)

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| March 31, 2008   | Six Months Ended   | Year Ended September 30, |         |         |         |         |
|--|--------------------|--------------------------|---------|---------|---------|---------|
|  | March 31, 2008     | 2007                     | 2006    | 2005    | 2004    | 2003    |
|  | (Unaudited)        |                          |         |         |         |         |
| <b>Ratios/Supplemental Data (%):</b>   |                    |                          |         |         |         |         |
| Ratio of total expenses to average net assets applicable to Common Stock <sup>d</sup>        | 1.59 <sup>e</sup>  | 1.63                     | 1.55    | 1.47    | 1.43    | 1.48    |
| Ratio of net expenses to average net assets applicable to Common Stock <sup>d</sup>          | 1.44 <sup>e</sup>  | 1.48                     | 1.40    | 1.33    | 1.43    | 1.48    |
| Ratio of net investment income to average net assets applicable to Common Stock <sup>d</sup> | 7.51 <sup>e</sup>  | 7.38                     | 7.15    | 7.03    | 6.97    | 7.86    |
| Ratio of total expenses to total average net assets  | 1.04 <sup>e</sup>  | 1.09                     | 1.03    | .98     | .94     | .97     |
| Ratio of net expenses to total average net assets  | .94 <sup>e</sup>   | .99                      | .93     | .89     | .94     | .97     |
| Ratio of net investment income to total average net assets                                   | 4.93 <sup>e</sup>  | 4.92                     | 4.75    | 4.67    | 4.59    | 5.15    |
| Portfolio Turnover Rate  | 30.29 <sup>c</sup> | 34.75                    | 31.44   | 27.96   | 27.31   | 54.79   |
| Asset coverage of Preferred Stock, end of period   | 284                | 294                      | 301     | 299     | 295     | 293     |
| Net Assets net of Preferred Stock, end of period (\$ x 1,000)                                | 524,623            | 553,598                  | 573,391 | 568,264 | 556,235 | 549,676 |
| Preferred Stock Outstanding, end of period (\$ x 1,000)                                      | 285,000            | 285,000                  | 285,000 | 285,000 | 285,000 | 285,000 |

<sup>a</sup> Based on average shares outstanding at each month end.

<sup>b</sup> Calculated based on market value.

<sup>c</sup> Not annualized.

<sup>d</sup> Does not reflect the effect of dividends to Preferred Stockholders.

<sup>e</sup> Annualized.

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS (Unaudited)

**NOTE 1 Significant Accounting Policies:**

Dreyfus Strategic Municipals, Inc. (the "fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a diversified closed-end management investment company. The fund's investment objective is to maximize current income exempt from federal income tax to the extent consistent with the preservation of

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capital. The Dreyfus Corporation (the "Manager" or "Dreyfus") serves as the fund's investment adviser. On July 1, 2007, Mellon Financial and The Bank of New York Company, Inc. merged, forming The Bank of New York Mellon Corporation ("BNY Mellon"). As part of this transaction, Dreyfus became a wholly-owned subsidiary of BNY Mellon. The fund's Common Stock trades on the New York Stock Exchange under the ticker symbol LEO.

The fund has outstanding 2,280 shares of Series M, Series T, Series W, Series TH and Series F for a total of 11,400 shares of Auction Preferred Stock ("APS"), with a liquidation preference of \$25,000 per share (plus an amount equal to accumulated but unpaid dividends upon liquidation). APS dividend rates are determined pursuant to periodic auctions. Deutsche Bank Trust Company America, as Auction Agent, receives a fee from the fund for its services in connection with such auctions. The fund also compensates broker-dealers generally at an annual rate of .25% of the purchase price of the shares of APS placed by the broker-dealer in an auction.

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

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

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

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

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

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

The Financial Accounting Standards Board ("FASB") released Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("FAS 157"). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. The application of FAS 157 is required for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Management does not believe that the application of this standard will have a material impact on the financial statements of the fund.

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

delivery basis may be settled a month or more after the trade date.

The fund has an arrangement with the custodian bank whereby the fund receives earnings credits from the custodian when positive cash balances are maintained, which are used to offset custody fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

**(c) Dividends to shareholders of Common Stock (Common Shareholders(s))** Dividends are recorded on the ex-dividend date. Dividends from investment income-net are declared and paid monthly. Dividends from net realized capital gains, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the Code). To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles.

For Common Shareholders who elect to receive their distributions in additional shares of the fund, in lieu of cash, such distributions will be reinvested at the lower of the market price or net asset value per share (but not less than 95% of the market price) based on the record date's respective prices. If the net asset value per share on the record date is lower than the market price per share, shares will be issued by the fund at the record date's net asset value on the payable date of the distribution. If the net asset value per share is less than 95% of the market value, shares will be issued by the fund at 95% of the market value. If the mar-

The Fund **33**

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

ket price is lower than the net asset value per share on the record date, The Bank of New York, a subsidiary of BNY Mellon and a Dreyfus affiliate, will purchase fund shares in the open market commencing on the payable date and reinvest those shares accordingly. As a result of purchasing fund shares in the open market, fund shares outstanding will not be affected by this form of reinvestment.

On March 28, 2008, the Board of Directors declared a cash dividend of \$.042 per share from investment income-net, payable on April 30, 2008 to Common Shareholders of record as of the close of business on April 11, 2008.

**(d) Dividends to shareholders of APS:** Dividends, which are cumulative, are generally reset every 7 days for each Series of APS pursuant to a process specified in related fund charter documents. Dividends rates as of March 31, 2008 for each Series of APS were as follows: Series M-3.30%, Series T-3.23%, Series W-3.23%, Series TH-3.23% and Series F-3.23%. These rates reflect the maximum rates under the governing instruments as a result of failed auctions in which sufficient clearing bids are not received.

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

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

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Each of the tax years in the three-year period ended September 30, 2007 remains subject to examination by the Internal Revenue Service and state taxing authorities.

The fund has an unused capital loss carryover of \$46,840,783 available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to September 30, 2007. If not applied, \$19,582,677 of the carryover expires in fiscal 2011 and \$27,258,106 expires in fiscal 2012.

The tax characters of distributions paid to shareholders during the fiscal year ended September 30, 2007 were as follows: tax exempt income \$40,833,002. The tax character of current year distributions will be determined at the end of the current fiscal year.

### **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 purposes. Interest is charged to the fund based on prevailing market rates in effect at the time of borrowing.

The average daily amount of borrowings outstanding under the line of credit during the period ended March 31, 2008 was approximately \$30,800 with a related weighted average annualized interest rate of 4.67% .

### **NOTE 3** Management Fee and Other Transactions With Affiliates:

(a) Pursuant to a management agreement (the "Agreement") with the Manager, the management fee is computed at the annual rate of .75% of the value of the fund's average weekly net assets, inclusive of the outstanding auction preferred stock, and is payable monthly. The Agreement provides for an expense reimbursement from the Manager should the fund's aggregate expenses, exclusive of taxes, interest on borrowings, brokerage and extraordinary expenses, in any full fiscal year exceed the lesser of (1) the expense limitation of any state having jurisdiction over the fund or (2) 2% of the first \$10 million,  $1\frac{1}{2}$  % of

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

the next \$20 million and 1% of the excess over \$30 million of the average value of the fund's net assets. The Manager has undertaken for the period from October 1, 2007 through October 31, 2008, to waive receipt of a portion of the fund's management fee, in the amount of .10% of the value of the fund's average weekly net assets (including net assets representing auction preferred stock outstanding). The reduction in management fee, pursuant to the undertaking, amounted to \$414,367 during the period ended March 31, 2008.

(b) The fund compensates Mellon Trust of New England, N.A., an affiliate of the Manager, under a custody agreement for providing custodial services to the fund. During the period ended March 31, 2008, the fund was charged \$70,929 pursuant to the custody agreement.

The fund compensates The Bank of New York under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the fund. During the period ended March 31, 2008, the fund was charged \$53,643 pursuant to the transfer agency agreement.

During the period ended March 31, 2008, the fund was charged \$2,709 for services performed by the Chief Compliance Officer.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: management fees \$515,406, custodian fees \$41,963, transfer agency fees \$22,928 and chief compliance officer fees \$2,709, which are offset against an expense reimbursement currently in effect in the amount of \$68,721.

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

**NOTE 4** **Securities Transactions:**

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended March 31, 2008, amounted to \$297,524,487 and \$253,389,233, respectively.

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The fund may participate in Secondary Inverse Floater Structures in which fixed-rate, tax-exempt municipal bonds purchased by the fund are transferred to a trust. The trust subsequently issues two or more variable rate securities that are collateralized by the cash flows of the fixed-rate, tax-exempt municipal bonds. One or more of these variable rate securities pays interest based on a short-term floating rate set by a remarketing agent at predetermined intervals. A residual interest tax-exempt security is also created by the trust, which is transferred to the fund, and is paid interest based on the remaining cash flow of the trust, after payment of interest on the other securities and various expenses of the trust.

At March 31, 2008, accumulated net unrealized appreciation on investments was \$3,804,285, consisting of \$28,493,387 gross unrealized appreciation and \$24,689,102 gross unrealized depreciation.

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

In March 2008, the FASB released Statement of Financial Accounting Standards No. 161 "Disclosures about Derivative Instruments and Hedging Activities" (FAS 161). FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The application of FAS 161 is required for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. At this time, management is evaluating the implications of FAS 161 and its impact on the financial statements and the accompanying notes has not yet been determined.

The Fund 37

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**INFORMATION ABOUT THE REVIEW AND APPROVAL  
OF THE FUND'S MANAGEMENT AGREEMENT (Unaudited)**

At a Meeting of the fund's Board of Directors held on October 29, 2007 and October 30, 2007, the Board considered the re-approval for an annual period of the fund's Management Agreement, pursuant to which the Manager provides the fund with investment advisory services, and the fund's separate Administration Agreement, pursuant to which the Manager provides the fund with administrative services. The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of the Manager.

Analysis of Nature, Extent, and Quality of Services Provided to the Fund. The Board members received a presentation from representatives of the Manager regarding services provided to the fund and other funds in the Dreyfus fund complex, and discussed the nature, extent, and quality of the services provided to the fund pursuant to the fund's Management Agreement. The Manager's representatives noted the fund's closed-end structure, the relationships the Manager has with various intermediaries, the different needs of each intermediary, and the Manager's corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services to fund shareholders. The Board noted the fund's asset size and considered that a closed-end fund is not subject to the inflows and outflows of assets as an open-end fund would be that would increase or decrease its asset size.



The Board members also considered the Manager's research and portfolio management capabilities and that the Manager also provides oversight of day-to-day fund operations, including fund accounting and administration and assistance in meeting legal and regulatory requirements. The Board members also considered the Manager's extensive administrative, accounting, and compliance infrastructure.

Comparative Analysis of the Fund's Management Fee and Expense Ratio and Performance The Board members reviewed reports prepared by Lipper, Inc., an independent provider of investment company data, which included information comparing the fund's management fee and

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expense ratio with a group of comparable "leveraged" funds (the "Expense Group") and with a broader group of funds (the "Expense Universe") that were selected by Lipper. Included in the fund's reports were comparisons of contractual and actual management fee rates and total operating expenses.

The Board members also reviewed the reports prepared by Lipper that presented the fund's performance on a net asset value and market price basis, as well as comparisons of total return performance for various periods ended September 30, 2007 and yield performance for one-year periods ended September 30th for the fund to the same group of funds as the Expense Group (the "Performance Group") and to a group of funds that was broader than the Expense Universe (the "Performance Universe") that also were selected by Lipper. The Manager previously had furnished the Board with a description of the methodology Lipper used to select the fund's Expense Group and Expense Universe, and Performance Group and Performance Universe. The Manager also provided a comparison of the fund's total returns at net asset value to the fund's Lipper category average returns for the past 10 calendar years.

The Board reviewed the results of the Expense Group and Expense Universe comparisons that were prepared based on financial statements currently available to Lipper as of September 30, 2007. The Board reviewed the range of management fees and expense ratios of the funds in the Expense Group and Expense Universe, and noted that the fund's contractual management fee (based on net assets solely attributable to common stock after leverage) was higher than the Expense Group median and that the fund's actual management fee was higher than the Expense Group and Expense Universe medians. The Board also noted that the fund's total expense ratio (based on net assets solely attributable to common stock after leverage) was higher than the Expense Group and Expense Universe medians. The Board noted the undertaking in effect by the Manager over the past year to waive receipt of .10% of the fund's management fee and the Manager's commitment to continue such waiver through October 31, 2008.

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INFORMATION ABOUT THE REVIEW AND APPROVAL OF THE  
FUND'S MANAGEMENT AGREEMENT (Unaudited) (continued)

With respect to the fund's performance on a net asset value basis, the Board noted that the fund's total return performance was higher than the Performance Group and Performance Universe medians for each reported time period up to 5 years (and at the Performance Group median for the 10-year period), including achieving the top ranking in the Performance Group for the 5-year period. On a yield performance basis, the Board noted that the fund's 1-year yields for the past 10 annual periods were at, or higher than, the respective Performance Group and Performance Universe medians for 8 of the 10 reported time periods.

With respect to the fund's performance on a market price basis, the Board noted that the fund achieved a range total return results that were variously at, higher, or lower than the Performance Group and Performance Universe medians for each reported time period up to 10 years. On a yield performance basis, the Board noted that the fund's 1-year yields for the past 10 annual periods were higher than the Performance Group and Performance Universe medians for 7 and 8 of the 10 reported annual periods, respectively.

Representatives of the Manager reviewed with the Board members the fees paid to the Manager or its affiliates by investment companies managed by the Manager or its affiliates that were reported in the same Lipper

category as the fund (the "Similar Funds"). It was noted that each Similar Fund also was a closed-end fund, for which similar services to be provided by the Manager are required. The Board members analyzed differences in fees paid to the Manager and discussed the relationship of the management fees in light of the services provided. The Board members considered the relevance of the fee information provided for the Similar Funds to evaluate the appropriateness and reasonableness of the fund's management fee. The Manager's representatives noted that there were no similarly managed institutional separate accounts or wrap fee accounts managed by the Manager or its affiliates with similar investment objectives, policies, and strategies as the fund.

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Analysis of Profitability and Economies of Scale. The Manager's representatives reviewed the dollar amount of expenses allocated and profit received by the Manager for the fund and the method used to determine such expenses and profit. The Board considered information, previously provided and discussed, prepared by an independent consulting firm regarding the Manager's approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus mutual fund complex. The Board also had been informed that the methodology had also been reviewed by an independent registered public accounting firm which, like the consultant, found the methodology to be reasonable. The consulting firm also analyzed where any economies of scale might emerge in connection with the management of a fund. The Board members evaluated the profitability analysis in light of the relevant circumstances for the fund, including the extent to which economies of scale would be realized if the fund grows and whether fee levels reflect these economies of scale for the benefit of fund shareholders. The Board members also considered potential benefits to the Manager from acting as investment adviser to the fund and noted that there were no soft dollar arrangements in effect with respect to trading the fund's portfolio.

It was noted that the Board members should consider the Manager's profitability with respect to the fund as part of their evaluation of whether the fees under the Investment Advisory and Administration Agreements bear a reasonable relationship to the mix of services provided by the Manager, including the nature, extent, and quality of such services and that a discussion of economies of scale is predicated on increasing assets and that, if a fund's assets had been decreasing, the possibility that the Manager may have realized any economies of scale would be less. It was noted that the profitability percentage for managing the fund was within the range determined by appropriate court cases to be reasonable given the services rendered and that the profitability percentage for

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INFORMATION ABOUT THE REVIEW AND APPROVAL OF THE  
FUND'S MANAGEMENT AGREEMENT (Unaudited) (continued)

managing the fund was reasonable given the generally superior service levels provided. The Board also noted the Manager's waiver of receipt of a portion of the management fee over the past year and its effect on the profitability of the Manager.

At the conclusion of these discussions, the Board agreed that it had been furnished with sufficient information to make an informed business decision with respect to continuation of the fund's Management Agreement. Based on the discussions and considerations as described above, the Board reached the following conclusions and determinations.

- The Board concluded that the nature, extent, and quality of the services provided by the Manager are adequate and appropriate.
- The Board was satisfied with the fund's performance.
- The Board concluded that the fee paid to the Manager by the fund was reasonable in light of the services provided, comparative performance and expense and management fee information, including the Manager's undertaking to waive receipt of 0.10% of the fund's investment advisory fee through October 31, 2008, costs of the services provided and profits to be realized and benefits derived or to be derived by the Manager from its relationship with the fund.

- The Board determined that the economies of scale which may accrue to the Manager and its affiliates in connection with the management of the fund had been adequately considered by the Manager in connection with the management fee rate charged to the fund, and that, to the extent in the future it were to be determined that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

The Board members considered these conclusions and determinations, along with the information received on a routine and regular basis throughout the year, and, without any one factor being dispositive, the Board determined that re-approval of the fund's Management Agreement was in the best interests of the fund and its shareholders.

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OFFICERS AND DIRECTORS Dreyfus Strategic Municipals, Inc.

200 Park Avenue New York, NY 10166

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

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

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## For More Information

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-202-551-8090.

Information regarding how the fund voted proxies relating to portfolio securities for the 12-month period ended June 30, 2007, is available on the SEC's website at <http://www.sec.gov> and without charge, upon request, by calling 1-800-645-6561.

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- Item 2. Code of Ethics.**  
Not applicable.
- Item 3. Audit Committee Financial Expert.**  
Not applicable.
- Item 4. Principal Accountant Fees and Services.**  
Not applicable.
- Item 5. Audit Committee of Listed Registrants.**  
Not applicable.
- Item 6. Investments.**  
Not applicable.
- Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**  
Not applicable.
- Item 8. Portfolio Managers of Closed-End Management Investment Companies.**  
Not applicable.
- Item 9. Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers.**  
None
- Item 10. Submission of Matters to a Vote of Security Holders.**

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

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

**Item 11. Controls and Procedures.**

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

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

**Item 12.**

**Exhibits.**

(a)(1) Not applicable.

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

(a)(3) Not applicable.

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

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**SIGNATURES**

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

Dreyfus Strategic Municipals, Inc.

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

Date: May 22, 2008

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

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

Date: May 22, 2008

By: /s/ James Windels  
James Windels  
Treasurer

Date: May 22, 2008

**EXHIBIT INDEX**

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

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

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