

DREYFUS STRATEGIC MUNICIPAL BOND FUND INC
Form N-CSR
February 01, 2011

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number 811- 5877

Dreyfus Strategic Municipal Bond Fund, Inc.
(Exact name of Registrant as specified in charter)

c/o The Dreyfus Corporation

200 Park Avenue

New York, New York 10166

(Address of principal executive offices) (Zip code)

Michael A. Rosenberg, Esq.

200 Park Avenue

New York, New York 10166

(Name and address of agent for service)

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

Date of fiscal year end: 11/30

Date of reporting period: 11/30/10

FORM N-CSR

Item 1. Reports to Stockholders.

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Dreyfus
Strategic Municipal
Bond Fund, Inc.

ANNUAL REPORT November 30, 2010

Dreyfus Strategic Municipal Bond Fund, Inc.

Protecting Your Privacy

Our Pledge to You

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

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

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

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

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

THE FUND DOES NOT SHARE NONPUBLIC PERSONAL INFORMATION WITH ANYONE, EXCEPT AS PERMITTED BY LAW.

Thank you for this opportunity to serve you.

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

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Dreyfus
Strategic Municipal Bond Fund, Inc.

The Fund

A LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholder:

We are pleased to present this annual report for Dreyfus Strategic Municipal Bond Fund, Inc., covering the 12-month period from December 1, 2009, through November 30, 2010.

Municipal bonds delivered respectable returns during the reporting period, despite periodic bouts of volatility – most notably as we write this Letter – stemming from economic uncertainty and year-end technical factors which affect the municipal bond markets. Although U.S. GDP growth was positive throughout the reporting period, the economic recovery has been milder than historical averages. Stubbornly high levels of unemployment, lower revenue streams and persistent weakness in housing markets continue to weigh on domestic economic activity, putting pressure on the fiscal conditions of many state and local governments. Yet, municipal bond prices were supported by positive supply-and-demand dynamics and robust demand from investors seeking alternatives to low-yielding money market funds.

We are cautiously optimistic regarding economic and market prospects in 2011. A weaker U.S. dollar is likely to support exports and limit imports and residential construction appears set to begin recovering from depressed levels. However, some state and local municipalities continue to face budget shortfalls as a result of the current subpar economic recovery. So is your portfolio positioned accordingly? Talk with your financial advisor, who can help you evaluate your portfolio investments given these recent market events to help meet, and possibly adjust, your individual tax-exempt investment needs and future capital goals.

For information about how the fund performed during the reporting period, as well as general market perspectives, we provide a Discussion of Fund Performance on the pages that follow.

Thank you for your continued confidence and support.

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

DISCUSSION OF FUND PERFORMANCE

For the period of December 1, 2009, through November 30, 2010, as provided by James Welch, Senior Portfolio Manager

Fund and Market Performance Overview

For the 12-month period ended November 30, 2010, Dreyfus Strategic Municipal Bond Fund achieved a total return of 6.06% on a net-asset-value basis.¹ Over the same period, the fund provided aggregate income dividends of \$0.54 per share, which reflects a distribution rate of 6.80%.² Municipal bonds encountered heightened volatility over the reporting period's second half in anticipation of changing supply-and-demand dynamics. However, bouts of market weakness were not enough to fully offset the benefits of an earlier rally.

The Fund's Investment Approach

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

The fund also has issued auction-rate preferred stock (ARPS), a percentage of which remains outstanding from its initial public offering, and has invested the proceeds in a manner consistent with its investment objective. This has the effect of leveraging the portfolio, which can increase the fund's performance potential as well as, depending on market conditions, enhance net-asset-value losses during times of higher market risk.

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

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DISCUSSION OF FUND PERFORMANCE *(continued)*

Supply-and-Demand Factors Fueled Market Volatility

The U.S. economy continued to rebound over the reporting period despite new developments that occasionally revived investors' economic concerns. For example, investors responded cautiously during the spring and summer of 2010 to a sovereign debt crisis in Europe. The U.S. economy continued to struggle, but some states have begun to see evidence of economic improvement, including higher tax revenues. Still, in light of high national unemployment and other headwinds, the Federal Reserve Board (the Fed) left short-term interest rates unchanged in a historically low range between 0% and 0.25%. In addition, late in the reporting period, the Fed announced its intention to stimulate credit markets with a new round of quantitative easing.

Municipal bonds proved relatively insensitive to economic concerns over the reporting period's first half, advancing amid falling interest rates and favorable supply-and-demand dynamics as the Build America Bonds program continued to shift a substantial portion of new issuance to the taxable bond market. However, it became clear later in the reporting period that Congress was unlikely to renew the program beyond year-end, and investors began to anticipate a larger supply of tax-exempt securities in 2011. As a result, the market gave back a portion of its previous gains.

Revenue Bonds Supported Fund Returns

The fund received especially positive contributions to relative performance from bonds backed by dedicated revenues, including those from hospitals and industrial development projects. Conversely, the fund held relatively light exposure to bonds backed by general tax receipts.

Although lower-rated bonds generally produced attractive results as investors reached for higher yields in a low interest-rate environment, credit concerns prompted us to gradually reduce the fund's exposure to lower-rated bonds in favor of investment-grade securities. We trimmed the fund's holdings of higher-yielding bonds backed by airlines and industrial projects, and we increased its positions in higher-quality bonds backed by essential municipal services, such as water and sewer facilities.

Finally, the fund continued to benefit from a change in its leveraging strategy, as we replaced a portion of the fund's issuance of auction-rate

securities with tender option bonds that, in our judgment, have better liquidity characteristics.

Disappointments during the reporting period included the fund's relatively long duration posture, which exacerbated the effects of market volatility in the fall of 2010.

Weathering a Period of Transition

While we expect the U.S. economic recovery to persist, recent market behavior suggests that we may see heightened volatility as the municipal bond market transitions to a more robust supply in 2011. In addition, we believe that many states and municipalities will continue to struggle with budget pressures. Therefore, we have continued to focus on investment-grade revenue bonds.

We remain optimistic over the longer term. Demand for municipal bonds seems likely to stay robust as investors respond to higher state taxes and possible federal income tax increases down the road.

December 15, 2010

Bond funds are subject generally to interest rate, credit, liquidity and market risks, to varying degrees, all of which are more fully described in the fund's prospectus. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes, and rate increases can cause price declines.

High yield bonds are subject to increased credit risk and are considered speculative in terms of the issuer's perceived ability to continue making interest payments on a timely basis and to repay principal upon maturity.

The use of leverage may magnify the fund's gains or losses. For derivatives with a leveraging component, adverse changes in the value or level of the underlying asset can result in a loss that is much greater than the original investment in the derivative.

1 Total return includes reinvestment of dividends and any capital gains paid, based upon net asset value per share. Past performance is no guarantee of future results. Income may be subject to state and local taxes, and some income may be subject to the federal alternative minimum tax (AMT) for certain investors. Capital gains, if any, are fully taxable. Return figure provided reflects the absorption of certain expenses by The Dreyfus Corporation pursuant to an undertaking in effect through May 31, 2011. Had these expenses not been absorbed, the fund's return would have been lower.

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

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SELECTED INFORMATION

November 30, 2010 (Unaudited)

Market Price per share November 30, 2010	\$7.94
Shares Outstanding November 30, 2010	48,566,042
New York Stock Exchange Ticker Symbol	DSM

MARKET PRICE (NEW YORK STOCK EXCHANGE)

	Fiscal Year Ended November 30, 2010			
	Quarter	Quarter	Quarter	Quarter
	Ended	Ended	Ended	Ended
	February 28, 2010	May 31, 2010	August 31, 2010	November 30, 2010
High	\$8.10	\$8.25	\$8.54	\$8.79
Low	7.52	7.82	7.95	7.42
Close	8.08	8.05	8.45	7.94

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

November 22, 1989 (commencement of operations)	
through November 30, 2010	227.05 %
December 1, 2000 through November 30, 2010	87.41
December 1, 2005 through November 30, 2010	33.22
December 1, 2009 through November 30, 2010	11.95
March 1, 2010 through November 30, 2010	3.24
June 1, 2010 through November 30, 2010	1.92
September 1, 2010 through November 30, 2010	(4.48)

NET ASSET VALUE PER SHARE

November 22, 1989 (commencement of operations)	\$9.32
November 30, 2009	7.93
February 28, 2010	8.06
May 31, 2010	8.19
August 31, 2010	8.41
November 30, 2010	7.87

PERCENTAGE GAIN based on change in Net Asset Value*

November 22, 1989 (commencement of operations)

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through November 30, 2010	247.83 %
December 1, 2000 through November 30, 2010	75.50
December 1, 2005 through November 30, 2010	21.34
December 1, 2009 through November 30, 2010	6.06
March 1, 2010 through November 30, 2010	2.58
June 1, 2010 through November 30, 2010	(0.71)
September 1, 2010 through November 30, 2010	(4.87)

* *With dividends reinvested.*

STATEMENT OF INVESTMENTS

November 30, 2010

Long-Term Municipal Investments 149.0%	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Alaska 1.0%				
Alaska Housing Finance Corporation, Single-Family Residential Mortgage Revenue (Veterans Mortgage Program)	6.25	6/1/35	3,975,000	3,978,856
Arizona 7.5%				
Barclays Capital Municipal Trust Receipts (Salt River Project Agricultural Improvement and Power District, Salt River Project Electric System Revenue)	5.00	1/1/38	13,200,000 a,b	13,495,614
Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue	7.00	7/1/33	6,010,000	6,396,263
Pima County Industrial Development Authority, Education Revenue (American Charter Schools Foundation Project)	5.50	7/1/26	4,000,000	3,666,400
Pima County Industrial Development Authority, IDR (Tucson Electric Power Company Project)	5.75	9/1/29	5,000,000	5,050,650
California 16.3%				
Barclays Capital Municipal Trust Receipts (California Infrastructure and Economic Development Bank, Revenue (Sanford Consortium Project))	5.00	5/15/40	5,070,000 a,b	5,094,539
Beverly Hills Unified School District, GO California,	0.00	8/1/30	8,000,000 c	2,549,040
GO (Various Purpose) California,	5.75	4/1/31	7,800,000	8,078,616
GO (Various Purpose)	5.00	11/1/32	2,600,000	2,520,778

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California, GO (Various Purpose)	6.50	4/1/33	5,000,000	5,525,500
California, GO (Various Purpose)	6.00	11/1/35	5,000,000	5,262,300
California Enterprise Development Authority, Sewage Facilities Revenue (Anheuser-Busch Project)	5.30	9/1/47	1,000,000	944,480

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STATEMENT OF INVESTMENTS *(continued)*

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
California (continued)				
California Housing Finance Agency, Home Mortgage Revenue	5.05	8/1/27	2,500,000	2,222,700
California Pollution Control Financing Authority, SWDR (Waste Management, Inc. Project)	5.13	11/1/23	1,500,000	1,515,165
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/33	10,535,000	7,821,079
Los Angeles Department of Water and Power, Power System Revenue	5.00	7/1/34	2,885,000	2,949,364
Sacramento City Unified School District, GO (Insured; Assured Guaranty Municipal Corp.)	0.00	7/1/24	5,220,000 c	2,581,655
Sacramento County, Airport System Subordinate and Passenger Facility Charges Grant Revenue	6.00	7/1/35	4,000,000	4,226,480
San Diego Public Facilities Financing Authority, Senior Sewer Revenue	5.25	5/15/34	2,500,000	2,609,200
Santa Margarita/Dana Point Authority, Revenue (Santa Margarita Water District Improvement Districts Numbers 2,3 and 4)	5.13	8/1/38	5,000,000	5,082,050
Silicon Valley Tobacco Securitization Authority, Tobacco Settlement Asset-Backed Bonds (Santa Clara County Tobacco Securitization Corporation)	0.00	6/1/36	15,290,000 c	1,281,913
Tuolumne Wind Project Authority, Revenue (Tuolumne				

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Company Project)	5.88	1/1/29	2,000,000	2,169,780
Colorado 1.7%				
Arkansas River Power Authority, Power Improvement Revenue	6.13	10/1/40	5,000,000	5,146,450

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Colorado (continued)				
Colorado Housing and Finance Authority, Single Family Program Senior and Subordinate Bonds (Collateralized; FHA)	6.60	8/1/32	1,110,000	1,188,066
Connecticut 3.7%				
Connecticut Development Authority, PCR (Connecticut Light and Power Company Project)	5.95	9/1/28	9,000,000	9,093,780
Connecticut Resources Recovery Authority, Special Obligation Revenue (American REF-FUEL Company of Southeastern Connecticut Project)	6.45	11/15/22	4,985,000	4,986,645
Delaware .6%				
Delaware Economic Development Authority, Exempt Facility Revenue (Indian River Power LLC Project)	5.38	10/1/45	2,500,000	2,320,550
District of Columbia 1.1%				
District of Columbia Tobacco Settlement Financing Corporation, Tobacco Settlement Asset-Backed Bonds	0.00		6/15/46 104,040,000 c	3,072,301
Metropolitan Washington Airports Authority, Special Facility Revenue (Caterair International Corporation)	10.13	9/1/11	1,300,000	1,292,317
Florida 4.4%				
Highlands County Health Facilities Authority, HR (Adventist Health System/Sunbelt Obligated Group)	5.25	11/15/36	2,875,000	2,834,836
Miami-Dade County, Aviation Revenue	5.00	10/1/41	3,500,000	3,365,250
Orange County School Board, COP (Master Lease Purchase Agreement) (Insured; Assured				

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Guaranty Municipal Corp.)	5.50	8/1/34	4,500,000	4,699,845
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STATEMENT OF INVESTMENTS *(continued)*

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Florida (continued)				
Saint Johns County Industrial Development Authority, Revenue (Presbyterian Retirement Communities Project)	6.00	8/1/45	3,500,000	3,543,155
South Lake County Hospital District, Revenue (South Lake Hospital, Inc.)	6.25	4/1/39	2,500,000	2,541,575
Georgia 4.2%				
Atlanta, Water and Wastewater Revenue	6.00	11/1/28	4,865,000	5,271,471
Atlanta, Water and Wastewater Revenue (Insured; Assured Guaranty Municipal Corp.)	5.25	11/1/34	3,750,000	3,862,875
Augusta, Airport Revenue	5.45	1/1/31	2,500,000	2,258,525
Georgia Housing and Finance Authority, SFMR	5.60	12/1/32	1,990,000	1,994,975
Savannah Economic Development Authority, EIR (International Paper Company Project)	6.20	8/1/27	2,670,000	2,693,843
Hawaii .7%				
Hawaii Department of Budget and Finance, Special Purpose Revenue (Hawaii Pacific Health Obligated Group)	5.63	7/1/30	2,500,000	2,534,050
Idaho .1%				
Idaho Housing and Finance Association, SFMR (Collateralized; FNMA)	6.35	1/1/30	210,000	210,248
Illinois 1.3%				
Chicago, SFMR (Collateralized: FHLMC, FNMA and GNMA)	6.25	10/1/32	935,000	980,619
Illinois Finance Authority, Recovery Zone Facility Revenue				

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(Navistar International Corporation Project)	6.50	10/15/40	2,000,000	2,021,720
Illinois Finance Authority, Revenue (Sherman Health Systems)	5.50	8/1/37	2,020,000	1,843,836

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Indiana 1.2%				
Indianapolis Local Public Improvement Bond Bank, Revenue (Indianapolis Airport Authority Project) (Insured; AMBAC)	5.00	1/1/36	5,000,000	4,658,550
Iowa .4%				
Tobacco Settlement Authority of Iowa, Tobacco Settlement Asset-Backed Bonds	5.60	6/1/34	2,000,000	1,693,560
Kentucky .3%				
Louisville/Jefferson County Metro Government, Health Facilities Revenue (Jewish Hospital and Saint Mary's HealthCare, Inc. Project)	6.13	2/1/37	1,000,000	1,047,380
Louisiana 1.3%				
Lakeshore Villages Master Community Development District, Special Assessment Revenue Louisiana Local Government Environmental Facilities and Community Development Authority, Revenue (Westlake Chemical Corporation Projects)	5.25	7/1/17	1,987,000	1,058,137
Maryland 1.3%				
Maryland Economic Development Corporation, EDR (Transportation Facilities Project)	5.75	6/1/35	1,000,000	1,008,000
Maryland Economic Development Corporation, Senior Student Housing Revenue (University of Maryland, Baltimore Project)	5.75	10/1/33	2,550,000	1,770,669
Maryland Industrial Development Financing Authority, EDR (Medical Waste Associates Limited Partnership Facility)	8.75	5/15/11	3,710,000 d	2,040,500
Massachusetts 10.6%				

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Barclays Capital Municipal Trust Receipts (Massachusetts Health and Educational Facilities Authority, Revenue (Massachusetts Institute of Technology Issue))	5.00	7/1/38	10,200,000 a,b	10,667,874
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STATEMENT OF INVESTMENTS (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Massachusetts (continued)				
JPMorgan Chase Putters/Drivers Trust (Massachusetts Development Finance Agency, Revenue (Harvard University Issue))	5.25	2/1/34	10,000,000 a,b	10,943,500
Massachusetts Health and Educational Facilities Authority, Revenue (Civic Investments Issue) (Prerefunded)	9.00	12/15/12	1,700,000 e	1,947,826
Massachusetts Health and Educational Facilities Authority, Revenue (Partners HealthCare System Issue)	5.75	7/1/32	115,000	116,904
Massachusetts Health and Educational Facilities Authority, Revenue (Suffolk University Issue)	6.25	7/1/30	5,000,000	5,295,700
Massachusetts Housing Finance Agency, Housing Revenue	7.00	12/1/38	5,000,000	5,541,700
Massachusetts Housing Finance Agency, SFHR	5.00	12/1/31	6,000,000	5,832,780
Michigan 6.8%				
Detroit, Sewage Disposal System Senior Lien Revenue (Insured; Assured Guaranty Municipal Corp.)	7.50	7/1/33	3,500,000	4,146,205
Kent Hospital Finance Authority, Revenue (Metropolitan Hospital Project)	6.00	7/1/35	2,000,000	1,954,660
Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	7,420,000	6,986,227
Royal Oak Hospital Finance Authority, HR (William Beaumont				

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Hospital Obligated Group)	8.00	9/1/29	5,000,000	5,862,450
Wayne County Airport Authority, Airport Revenue (Detroit Metropolitan Wayne County Airport) (Insured; National Public Finance Guarantee Corp.)	5.00	12/1/34	8,260,000	7,221,140

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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Mississippi 1.1%				
Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project)	5.90	5/1/22	4,260,000	4,256,933
Missouri 1.5%				
Missouri Health and Educational Facilities Authority, Health Facilities Revenue (BJC Health System)	5.25	5/15/32	5,525,000	5,543,785
Nevada 1.3%				
Clark County, Passenger Facility Charge Revenue (Las Vegas-McCarran International Airport)	5.00	7/1/30	5,000,000	5,028,800
New Hampshire 3.7%				
New Hampshire Business Finance Authority, PCR (Public Service Company of New Hampshire Project) (Insured; National Public Finance Guarantee Corp.)	6.00	5/1/21	2,690,000	2,718,272
New Hampshire Business Finance Authority, PCR (Public Service Company of New Hampshire Project) (Insured; National Public Finance Guarantee Corp.)	6.00	5/1/21	6,000,000	6,063,060
New Hampshire Industrial Development Authority, PCR (Connecticut Light and Power Company Project)	5.90	11/1/16	5,400,000	5,411,340
New Jersey 5.3%				
New Jersey Economic Development Authority, School Facilities Construction Revenue	5.50	12/15/29	5,000,000	5,402,750
New Jersey Economic Development Authority, Water Facilities Revenue (New Jersey American Water Company, Inc. Project)	5.70	10/1/39	3,000,000	3,040,470
Tobacco Settlement Financing Corporation of New Jersey,				

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Tobacco Settlement				
Asset-Backed Bonds	5.00	6/1/29	250,000	196,825

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STATEMENT OF INVESTMENTS (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
New Jersey (continued)				
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds (Prerefunded)	7.00	6/1/13	10,095,000 e	11,651,548
New Mexico 1.3%				
Farmington, PCR (Public Service Company of New Mexico San Juan Project)	5.90	6/1/40	5,000,000	5,079,900
New York 7.7%				
Austin Trust (Port Authority of New York and New Jersey, Consolidated Bonds, 151st Series)	6.00	9/15/28	10,000,000 a,b	10,651,000
Long Island Power Authority, Electric System General Revenue	6.25	4/1/33	3,000,000	3,317,430
Metropolitan Transportation Authority, Transportation Revenue	6.25	11/15/23	8,425,000	9,608,628
New York City Industrial Development Agency, Special Facility Revenue (American Airlines, Inc. John F. Kennedy International Airport Project)	7.75	8/1/31	5,000,000	5,253,900
New York State Dormitory Authority, Revenue (Suffolk County Judicial Facility)	9.50	4/15/14	605,000	755,548
North Carolina 3.2%				
Barclays Capital Municipal Trust Receipts (North Carolina Medical Care Commission, Health Care Facilities Revenue (Duke University Health System)	5.00	6/1/42	10,000,000 a,b	10,007,500
North Carolina Housing Finance Agency, Home Ownership Revenue	5.88	7/1/31	2,120,000	2,121,166
Ohio 3.1%				

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Butler County, Hospital Facilities				
Revenue (UC Health)	5.50	11/1/40	6,000,000	5,608,560
Ohio Air Quality Development Authority, Air Quality Revenue (Ohio Valley Electric Corporation Project)	5.63	10/1/19	4,200,000	4,297,944

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Ohio (continued)				
Port of Greater Cincinnati Development Authority, Tax Increment Development Revenue (Fairfax Village Red Bank Infrastructure Project)	5.63	2/1/36	2,530,000 b	1,817,527
Oregon .4%				
Warm Springs Reservation Confederated Tribes, Hydroelectric Revenue (Pelton Round Butte Project)	6.38	11/1/33	1,500,000	1,528,890
Pennsylvania 1.8%				
Delaware County Industrial Development Authority, Charter School Revenue (Chester Community Charter School Project)	6.13	8/15/40	3,500,000	3,314,675
Pennsylvania Turnpike Commission, Turnpike Subordinate Revenue	5.25	6/1/39	3,545,000	3,581,301
Rhode Island 1.5%				
Rhode Island Health and Educational Building Corporation, Hospital Financing Revenue (Lifespan Obligated Group Issue) (Insured; Assured Guaranty Municipal Corp.)	7.00	5/15/39	5,000,000	5,686,800
South Carolina 1.7%				
JPMorgan Chase Putters/Drivers Trust (South Carolina Public Service Authority, Revenue Obligations (Santee Cooper))	5.00	7/1/18	6,450,000 a,b	6,615,249
Tennessee 1.6%				
Metropolitan Government of Nashville and Davidson County Health and Educational Facilities Board, Revenue (The Vanderbilt University)	5.50	10/1/29	2,500,000	2,779,625

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Metropolitan Government of Nashville and Davidson County Health and Educational Facilities Board, Revenue (The Vanderbilt University)	5.50	10/1/34	3,000,000	3,256,410
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STATEMENT OF INVESTMENTS (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Texas 26.8%				
Barclays Capital Municipal Trust Receipts (Leander Independent School District, Unlimited Tax School Building Bonds (Permanent School Fund Guarantee Program))	5.00	8/15/40	10,000,000 a,b	10,352,500
Barclays Capital Municipal Trust Receipts (Texas A&M University System Board of Regents, Financing System Revenue)	5.00	5/15/39	13,160,000 a,b	13,544,535
Dallas-Fort Worth International Airport Facility Improvement Corporation, Revenue (Learjet Inc. Project)	6.15	1/1/16	3,000,000	3,000,180
Harris County Health Facilities Development Corporation, HR (Memorial Hermann Healthcare System)	7.25	12/1/35	9,290,000	10,414,090
Harris County Health Facilities Development Corporation, Revenue (CHRISTUS Health) (Insured; Assured Guaranty Municipal Corp.)	5.00	7/1/15	1,500,000	1,630,620
Houston, Combined Utility System First Lien Revenue (Insured; Assured Guaranty Municipal Corp.)	6.00	11/15/36	5,000,000	5,584,150
JPMorgan Chase Putters/Drivers Trust (Mansfield Independent School District, Unlimited Tax School Building Bonds) (Permanent School Fund Guarantee Program)	5.00	8/15/16	5,000,000 a,b	5,159,900
Love Field Airport Modernization Corporation, Special				

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Facilities Revenue (Southwest Airlines Company Love Field Modernization Program Project)	5.25	11/1/40	6,000,000	5,585,760
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Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Texas (continued)				
Matagorda County Navigation District Number One, Revenue (Houston Lighting and Power Company Project) (Insured; AMBAC)	5.13	11/1/28	4,295,000	3,938,515
North Texas Tollway Authority, First Tier System Revenue (Insured; Assured Guaranty Municipal Corp.)	5.75	1/1/40	14,705,000	15,249,085
North Texas Tollway Authority, Second Tier System Revenue	5.75	1/1/38	6,650,000	6,661,105
Sabine River Authority, PCR (TXU Electric Company Project) Texas,	6.45	6/1/21	4,900,000	1,719,312
GO (Veterans Land) Texas Department of Housing and Community Affairs, Home Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	6.00	12/1/30	3,935,000	3,935,551
Texas Department of Housing and Community Affairs, Residential Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	11.49	7/2/24	800,000 f	923,888
Texas Turnpike Authority, Central Texas Turnpike System Revenue (Insured; AMBAC)	5.35	7/1/33	4,600,000	4,617,112
Tomball Hospital Authority, Revenue (Tomball Regional Hospital)	5.25	8/15/42	5,375,000	5,177,845
	6.00	7/1/25	4,650,000	4,662,183
Virginia 6.7%				
Henrico County Industrial Development Authority, Revenue (Bon Secours Health System) (Insured; Assured Guaranty Municipal Corp.)	11.12	8/23/27	7,300,000 f	8,111,322

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STATEMENT OF INVESTMENTS (continued)

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
Virginia (continued)				
Virginia Housing Development Authority, Commonwealth Mortgage Revenue	6.25	7/1/31	5,250,000	5,628,997
Virginia Housing Development Authority, Rental Housing Revenue	6.20	8/1/24	8,520,000	8,538,148
Washington County Industrial Development Authority, HR (Mountain States Health Alliance)	7.75	7/1/38	3,000,000	3,381,390
Washington 1.7%				
Washington Health Care Facilities Authority, Mortgage Revenue (Highline Medical Center) (Collateralized; FHA)	6.25	8/1/36	6,000,000	6,389,880
West Virginia 1.9%				
The County Commission of Harrison County, SWDR (Allegheny Energy Supply Company, LLC Harrison Station Project)	5.50	10/15/37	7,920,000	7,374,233
Wisconsin 6.7%				
Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds (Prerefunded)	7.00	6/1/12	14,570,000 e	15,953,276
Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds (Prerefunded)	6.13	6/1/27	5,260,000 e	5,576,652
Wisconsin Health and Educational Facilities Authority, Revenue (Aurora Health Care, Inc.)	6.40	4/15/33	4,000,000	4,074,360
U.S. Related 5.5%				
Government of Guam, GO	7.00	11/15/39	1,500,000	1,645,635
Puerto Rico Commonwealth,				

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Public Improvement GO Puerto Rico Commonwealth,	5.50	7/1/32	1,500,000	1,522,200
Public Improvement GO Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue	6.00	7/1/39	3,500,000	3,652,355
(First Subordinate Series)	5.38	8/1/39	2,500,000	2,511,475

Long-Term Municipal	Coupon	Maturity	Principal	
Investments (continued)	Rate (%)	Date	Amount (\$)	Value (\$)
U.S. Related (continued)				
Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue (First Subordinate Series)	6.00	8/1/42	10,000,000	10,566,100
Virgin Islands Public Finance Authority, Revenue (Virgin Islands Matching Fund Loan Notes) (Senior Lien/Capital Projects)	5.00	10/1/39	1,250,000	1,189,500
Total Long-Term Municipal Investments (cost \$575,772,784)				569,542,926
Short-Term Municipal				
Investment .1%				
New York;				
New York City, GO Notes (LOC; JPMorgan Chase Bank) (cost \$400,000)	0.29	12/1/10	400,000 g	400,000
Total Investments (cost \$576,172,784)			149.1%	569,942,926
Liabilities, Less Cash and Receivables			(10.0%)	(38,174,504)
Preferred Stock, at redemption value			(39.1%)	(149,475,000)
Net Assets Applicable to Common Shareholders			100.0%	382,293,422

a Collateral for floating rate borrowings.

b Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At November 30, 2010, these securities had a market value of \$98,349,738 or 25.7% of net assets applicable to Common Shareholders.

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

d Non-income producing security; interest payments in default.

e 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.

f Inverse floater security the interest rate is subject to change periodically. Rate shown is the interest rate in effect at November 30, 2010.

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

STATEMENT OF INVESTMENTS *(continued)*

Summary of Abbreviations

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

Summary of Combined Ratings (Unaudited)

Fitch	or	Moody's	or	Standard & Poor's	Value (%)
AAA		Aaa		AAA	23.9
AA		Aa		AA	21.0
A		A		A	25.7
BBB		Baa		BBB	21.5
BB		Ba		BB	2.3
B		B		B	2.0
F1		MIG1/P1		SP1/A1	.1
Not Rated ^h		Not Rated ^h		Not Rated ^h	3.5
					100.0

Based on total investments.

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

See notes to financial statements.

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STATEMENT OF ASSETS AND LIABILITIES

November 30, 2010

	Cost	Value
Assets (\$):		
Investments in securities See Statement of Investments	576,172,784	569,942,926
Interest receivable		9,816,102
Receivable for investment securities sold		3,010,833
Prepaid expenses		22,342
		582,792,203
Liabilities (\$):		
Due to The Dreyfus Corporation and affiliates Note 2(a)		290,557
Cash overdraft due to Custodian		2,158,194
Payable for floating rate notes issued Note 3		46,540,000
Payable for investment securities purchased		1,650,465
Interest and expense payable related to floating rate notes issued Note 3		158,446
Commissions payable		10,663
Dividends payable to Preferred Shareholders		4,791
Accrued expenses		210,665
		51,023,781
Auction Preferred Stock, Series A, B and C, par value \$.001 per share (5,979 shares issued and outstanding at \$25,000 per share liquidation value) Note 1		149,475,000
Net Assets applicable to Common Shareholders (\$)		382,293,422
Composition of Net Assets (\$):		
Common Stock, par value, \$.001 per share (48,566,042 shares issued and outstanding)		48,566
Paid-in capital		427,386,769
Accumulated undistributed investment income net		9,525,360
Accumulated net realized gain (loss) on investments		(48,437,415)
Accumulated net unrealized appreciation (depreciation) on investments		(6,229,858)
Net Assets applicable to Common Shareholders (\$)		382,293,422
Shares Outstanding		
(110 million shares of \$.001 par value Common Stock authorized)		48,566,042
Net Asset Value, per share of Common Stock (\$)		7.87

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended November 30, 2010

Investment Income (\$):	
Interest Income	33,365,219
Expenses:	
Investment advisory fee Note 2(a)	2,815,277
Administration fee Note 2(a)	1,407,639
Commission fees Note 1	283,741
Interest and expense related to floating rate notes issued Note 3	264,607
Professional fees	100,375
Shareholders reports	60,389
Directors fees and expenses Note 2(b)	58,335
Registration fees	28,239
Shareholder servicing costs	22,623
Custodian fees Note 2(a)	6,265
Miscellaneous	80,601
Total Expenses	5,128,091
Less reduction in investment advisory fee due to undertaking Note 2(a)	(563,055)
Net Expenses	4,565,036
Investment Income Net	28,800,183
Realized and Unrealized Gain (Loss) on Investments Note 3 (\$):	
Net realized gain (loss) on investments	(5,075,623)
Net unrealized appreciation (depreciation) on investments	396,358
Net Realized and Unrealized Gain (Loss) on Investments	(4,679,265)
Dividends to Preferred Shareholders	(674,699)
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations	23,446,219

See notes to financial statements.

STATEMENT OF CASH FLOWS

Year Ended November 30, 2010

Cash Flows from Operating Activities (\$):

Interest received	33,378,189	
Operating expenses paid	(4,558,939)	
Dividends paid to Preferred Shareholders	(679,099)	
Purchases of portfolio securities	(139,982,309)	
Net sales of short-term portfolio securities	5,300,000	
Proceeds from sales of portfolio securities	158,890,260	
		52,348,102

Cash Flows from Financing Activities (\$):

Dividends paid to Common Shareholders	(25,609,539)	
Redemptions of APS	(36,525,000)	(62,134,539)
Decrease in cash		(9,786,437)
Cash at beginning of period		7,628,243
Cash overdraft at end of period		(2,158,194)

Reconciliation of Net Increase in Net Assets Applicable to**Common Shareholders Resulting from Operations to****Net Cash Provided by Operating Activities (\$):**

Net Increase in Net Assets Applicable to		
Common Shareholders Resulting From Operations		23,446,219

Adjustments to reconcile net increase in net assets applicable to common shareholders resulting from operations to net cash provided by operating activities (\$):

Increase in investments in securities, at cost		(11,045,207)
Increase in receivable for investment securities sold		(3,010,833)
Increase in payable for investment securities purchased		1,650,465
Increase in payable for floating rate notes issued		41,540,000
Decrease in interest receivable		486,026
Increase in accrued operating expenses		39,583
Increase in prepaid expenses		(14,765)
Decrease in due to The Dreyfus Corporation		(18,721)
Decrease in dividends payable to Preferred Shareholders		(4,400)
Increase in payable for interest and expense related to		
floating rate notes payable		149,149
Net unrealized appreciation on investments		(396,358)
Net amortization of premiums on investments		(473,056)

Net Cash Provided by Operating Activities	52,348,102
Non Cash financing transactions:	
Reinvestment of dividends	584,516

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended November 30,	
	2010	2009
Operations (\$):		
Investment income net	28,800,183	30,805,161
Net realized gain (loss) on investments	(5,075,623)	(18,127,310)
Net unrealized appreciation (depreciation) on investments	396,358	67,544,835
Dividends to Preferred Shareholders	(674,699)	(1,239,771)
Net Increase (Decrease) in Net Assets Applicable to Common Shareholders		
Resulting from Operations	23,446,219	78,982,915
Dividends to Common Shareholders from (\$):		
Investment income net	(26,194,055)	(22,405,028)
Capital Stock Transactions (\$):		
Dividends reinvested	584,516	
Total Increase (Decrease) in Net Assets Applicable to Common Shareholders	(2,163,320)	56,577,887
Net Assets Applicable to Common Shareholders (\$):		
Beginning of Period	384,456,742	327,878,855
End of Period	382,293,422	384,456,742
Undistributed investment income net	9,525,360	7,822,215
Capital Share Transactions (Shares):		
Increase in Common Shares Outstanding as a Result of Dividends Reinvested	70,313	

See notes to financial statements.

FINANCIAL HIGHLIGHTS

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

	Year Ended November 30,				
	2010	2009	2008	2007	2006
Per Share Data (\$):					
Net asset value, beginning of period	7.93	6.76	8.60	9.21	8.88
Investment Operations:					
Investment income net	.59	.64	.63	.62	.64
Net realized and unrealized gain (loss) on investments	(.10)	1.02	(1.86)	(.59)	.34
Dividends to Preferred Shareholders from investment income net	(.01)	(.03)	(.14)	(.14)	(.13)
Total from Investment Operations	.48	1.63	(1.37)	(.11)	.85
Distributions to Common Shareholders:					
Dividends from investment income net	(.54)	(.46)	(.47)	(.50)	(.52)
Net asset value, end of period	7.87	7.93	6.76	8.60	9.21
Market value, end of period	7.94	7.58	5.53	7.77	9.29
Total Return (%)^b	11.95	46.74	(24.12)	(1.17)	9.94

	Year Ended November 30,				
	2010	2009	2008	2007	2006
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets applicable to Common Stock	1.30	1.37	1.44	1.43	1.38
Ratio of net expenses to average net assets applicable to Common Stock	1.16	1.21	1.30	1.28	1.24
Ratio of interest and expense related to floating rate notes issued to average net assets applicable to Common Stock	.07	.01	.12	.17	.12
Ratio of net investment income to average net assets applicable to Common Stock	7.30	8.65	7.89	7.01	7.16
Ratio of total expenses to total average net assets	.91	.90	.98	1.00	.97
Ratio of net expenses to total average net assets	.81	.80	.88	.90	.87
Ratio of interest and expense related to floating rate notes issued to total average net assets	.05	.01	.08	.12	.09
Ratio of net investment income to total average net assets	5.11	5.68	5.34	4.90	5.01
Portfolio Turnover Rate	25.94	31.59	53.01	55.89	57.12
Asset coverage of Preferred Stock, end of period	356	307	276	324	339
Net Assets, net of Preferred Stock, end of period (\$ x 1,000)	382,293	384,457	327,879	417,177	444,599
Preferred Stock outstanding, end of period (\$ x 1,000)	149,475	186,000	186,000	186,000	186,000

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

b Calculated based on market value.

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

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

NOTE 1 Significant Accounting Policies:

Dreyfus Strategic Municipal Bond Fund, Inc. (the fund) is registered under the Investment Company Act of 1940, as amended (the Act), as a diversified closed-end management investment company. The fund's investment objective is to maximize current income exempt from federal income tax to the extent consistent with the preservation of capital. The Dreyfus Corporation (the Manager or Dreyfus), a wholly-owned subsidiary of The Bank of New York Mellon Corporation (BNY Mellon), serves as the fund's investment adviser. BNY Mellon Investment Servicing (US) Inc., a subsidiary of BNY Mellon and an affiliate of Dreyfus, serves as the fund's transfer agent, dividend-paying agent, registrar and plan agent. The fund's Common Stock trades on the New York Stock Exchange Amex (the NYSE) under the ticker symbol DSM.

The fund has outstanding 1,993 shares of Series A, Series B and Series C, for a total of 5,979 shares, of Auction Preferred Stock (APS), with a liquidation preference of \$25,000 per share (plus an amount equal to accumulated but unpaid dividends upon liquidation). APS dividend rates are determined pursuant to periodic auctions or by reference to a market rate. Deutsche Bank Trust Company America, as Auction Agent, receives a fee from the fund for its services in connection with such auctions. The fund also compensates broker-dealers generally at an annual rate of .15%-.25% of the purchase price of the shares of APS.

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

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

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

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

Series	Shares Redeemed	Amount Redeemed (\$)	Redemption Date
A	68	1,700,000	March 9, 2010
B	68	1,700,000	March 11, 2010
C	68	1,700,000	March 8, 2010
A	88	2,200,000	March 30, 2010
B	88	2,200,000	April 1, 2010
C	88	2,200,000	March 29, 2010
A	60	1,500,000	April 27, 2010
B	60	1,500,000	April 29, 2010
C	60	1,500,000	April 26, 2010
A	160	4,000,000	June 8, 2010
B	160	4,000,000	June 10, 2010
C	160	4,000,000	June 7, 2010
A	33	825,000	July 27, 2010
B	33	825,000	July 29, 2010
C	33	825,000	July 26, 2010
A	78	1,950,000	November 16, 2010
B	78	1,950,000	November 18, 2010
C	78	1,950,000	November 15, 2010
Total	1,461	36,525,000	

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) is the exclusive reference of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

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NOTES TO FINANCIAL STATEMENTS *(continued)*

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

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

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not

orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

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

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

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

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

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

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

	Level 1 Unadjusted Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Assets (\$)				
Investments in Securities:				
Municipal Bonds		569,942,926		569,942,926

In January 2010, FASB issued Accounting Standards Update (ASU) No. 2010-06 Improving Disclosures about Fair Value Measurements. The portions of ASU No. 2010-06 which require reporting entities to prepare new disclosures surrounding amounts and reasons for significant transfers in and out of Level 1 and Level 2 fair value measurements as well as inputs and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3 have been adopted by the fund. No significant transfers between Level 1 or Level 2 fair value measurements occurred.

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NOTES TO FINANCIAL STATEMENTS *(continued)*

at November 30, 2010. The remaining portion of ASU No. 2010-06 requires reporting entities to make new disclosures about information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of activity in Level 3 fair value measurements. These new and revised disclosures are required to be implemented for fiscal years beginning after December 15, 2010. Management is currently evaluating the impact that the adoption of this remaining portion of ASU No. 2010-06 may have on the fund's financial statement disclosures.

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

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

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

On November 22, 2010, the Board of Directors declared a cash dividend of \$.0475 per share from investment income-net, payable on December 31, 2010 to Common Shareholders of record as of the close of business on December 10, 2010.

(d) Dividends to Shareholders of APS: Dividends, which are cumulative, are generally reset every 7 days for each Series of APS pursuant to a process specified in related fund charter documents. Dividend rates as of November 30, 2010, for each Series of APS were as follows: Series A -0.442%, Series B-0.442% and Series C-0.442%. These rates reflect the maximum rates under the governing instruments as a result of failed auctions in which sufficient clearing bids are not received. The average dividend rates for the period ended November 30, 2010 for each Series of APS were as follows: Series A-0.402%, Series B-0.398% and Series C-0.403%.

(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.

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

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

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NOTES TO FINANCIAL STATEMENTS *(continued)*

At November 30, 2010, the components of accumulated earnings on a tax basis were as follows: undistributed tax exempt income \$10,107,004, accumulated capital losses \$48,719,911 and unrealized depreciation \$5,947,362.

The accumulated capital loss carryover is available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to November 30, 2010. If not applied, \$5,474,907 of the carryover expires in fiscal 2011, \$10,957,023 expires in fiscal 2012, \$1,427,978 expires in fiscal 2015, \$5,522,685 expires in fiscal 2016, \$20,261,695 expires in fiscal 2017 and \$5,075,623 expires in fiscal 2018.

The tax character of distributions paid to shareholders during the fiscal periods ended November 30, 2010 and November 30, 2009 were as follows: tax exempt income \$26,747,425 and \$23,539,431 and ordinary income \$121,329 and \$105,368, respectively.

During the period ended November 30, 2010, as a result of permanent book to tax differences, primarily due to the tax treatment for amortization adjustments and capital loss carryover expiration, the fund decreased accumulated undistributed investment income-net by \$228,284, increased accumulated net realized gain (loss) on investments by \$9,342,640 and decreased paid-in-capital by \$9,114,356. Net assets and net asset value per share were not affected by this reclassification.

NOTE 2 Investment Advisory Fee, Administration Fee and Other Transactions With Affiliates:

(a) The fee payable by the fund, pursuant to the provisions of an Investment Advisory Agreement with Dreyfus, is payable monthly based on an annual rate of .50% of the value of the fund's average weekly net assets (including net assets representing auction preferred stock outstanding). The fund also has an Administration Agreement with Dreyfus, a Custody Agreement with the Custodian and a Transfer Agency and Registrar Agreement with BNY Mellon Investment

Servicing (US) Inc. The fund pays in the aggregate for administration, custody and transfer agency services a monthly fee based on an annual rate of .25% of the value of the fund's average weekly net assets (including net assets representing auction preferred stock outstanding). Out-of-pocket transfer agency and custody expenses, including custody transaction expenses, are paid separately by the fund.

Dreyfus has agreed from December 1, 2009 through May 31, 2011, to waive receipt of a portion of the fund's investment advisory fee, in the amount of .10% of the value of the fund's average weekly net assets (including net assets representing auction preferred stock outstanding). The reduction in investment advisory fee, pursuant to the undertaking, amounted to \$563,055 during the period ended November 30, 2010.

The fund compensates The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, under a custody agreement for providing custodial services for the fund. During the period ended November 30, 2010, the fund was charged \$6,265 for out-of-pocket and custody transaction expenses, pursuant to the custody agreement.

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

During the period ended November 30, 2010, the fund was charged \$6,399 for services performed by the Chief Compliance Officer.

The components of Due to The Dreyfus Corporation and affiliates in the Statement of Assets and Liabilities consist of: investment advisory fees \$333,468, custodian fees \$398 and chief compliance officer fees \$1,152, which are offset against an expense reimbursement currently in effect in the amount of \$44,461.

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NOTES TO FINANCIAL STATEMENTS *(continued)*

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

NOTE 3 Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended November 30, 2010, amounted to \$141,576,783 and \$161,901,093, respectively.

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

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

The average amount of borrowings outstanding under the inverse floater structure during the period ended November 30, 2010, was approximately \$28,946,300, with a related weighted average annualized interest rate of .91%.

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

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At November 30, 2010, the cost of investments for federal income tax purposes was \$529,350,288; accordingly, accumulated net unrealized depreciation on investments was \$5,947,362, consisting of \$23,775,714 gross unrealized appreciation and \$29,723,076 gross unrealized depreciation.

NOTE 4 Subsequent Events:

On December 20, 2010, the fund announced the following redemptions of APS at a price of \$25,000 per share plus any accrued and unpaid dividends through the redemption date.

	Series	Shares Redeemed	Amount Redeemed (\$)	Redemption Date
A		101	2,525,000	January 18, 2011
	B	101	2,525,000	January 20, 2011
	C	101	2,525,000	January 18, 2011
	Total	303	7,575,000	

On January 18, 2011, the fund announced the following redemptions of APS at a price of \$25,000 per share plus any accrued and unpaid dividends through the redemption date.

	Series	Shares Redeemed	Amount Redeemed (\$)	Redemption Date
A		32	800,000	February 15, 2011
	B	32	800,000	February 17, 2011
	C	32	800,000	February 14, 2011
	Total	96	2,400,000	

On December 30, 2010, the Board of Directors declared a cash dividend of \$.0475 per share from investment income-net, payable on January 31, 2011 to Common Shareholders of record as of the close of business on January 14, 2011.

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REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

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

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

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

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

New York, New York
January 28, 2011

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ADDITIONAL INFORMATION (Unaudited)

Dividend Reinvestment and Cash Purchase Plan

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

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

A Common Shareholder who has fund shares registered in his name may elect to withdraw from the Plan at any time for a \$5.00 fee and thereby elect to receive cash in lieu of shares of the fund. Changes in elections must be by direct mail to BNY Mellon Investment Servicing (US) Inc., P.O. Box 43027, Providence, RI 02940-3027 and should include the shareholder's name and address as they appear on the Agent's records. Elections received by the Agent will be effective only if received prior to the record date for any distribution.

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

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ADDITIONAL INFORMATION (U naudited) *(continued)*

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

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

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

Level Distribution Policy

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

Benefits and Risks of Leveraging

The fund utilizes leverage to seek to enhance the yield and net asset value of its Common Stock. These objectives cannot be achieved in all interest rate environments. To leverage, the fund issues Preferred Stock, which pays dividends at prevailing short-term interest rates, and invests the proceeds in long-term municipal bonds. The interest earned on these investments is paid to Common Shareholders in the form of dividends,

and the value of these portfolio holdings is reflected in the per share net asset value of the fund's Common Stock. During the fiscal year ended November 30, 2010, the fund redeemed \$36,525,000 of its outstanding Preferred Stock, the leverage that had been provided by the redeemed Preferred Stock was replaced through the purchase of tax-exempt tender option bonds. Subsequent to the reporting period, in December 2010, the fund redeemed an additional \$7,575,000 of outstanding Preferred Stock, replacing the leverage of the redeemed Preferred Stock through the purchase of tax-exempt tender option bonds. In order for either of these forms of leverage to benefit Common Shareholders, the yield curve must be positively sloped: that is, short-term interest rates must be lower than long-term interest rates. At the same time, a period of generally declining interest rates will benefit Common Shareholders. If either of these conditions change along with other factors that may have an effect on preferred dividends or tender option bonds, then the risk of leveraging will begin to outweigh the benefits.

Supplemental Information

For the period ended November 30, 2010, there were: (i) no material changes in the fund's investment objectives or policies, (ii) no changes in the fund's charter or by-laws that would delay or prevent a change of control of the fund, (iii) no material changes in the principal risk factors associated with investment in the fund, and (iv) no changes in the person primarily responsible for the day-to-day management of the fund's portfolio.

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IMPORTANT TAX INFORMATION (Unaudited)

In accordance with federal tax law, the fund hereby designates all the dividends paid from investment income-net during the fiscal year ended November 30, 2010 as exempt-interest dividends (not generally subject to regular federal income tax), except \$121,329 that is being designated as an ordinary income distribution for reporting purposes. Where required by federal tax law rules, shareholders will receive notification of their portion of the fund's taxable ordinary dividends (if any) and capital gains distributions (if any) paid for the 2010 calendar year on Form 1099-DIV and their portion of the fund's exempt-interest dividends paid for the 2010 calendar year on Form 1099-INT, both of which will be mailed in early 2011.

PROXY RESULTS (Unaudited)

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

	Shares	
	For	Authority Withheld
To elect three Class II Directors:		
Gordon J. Davis	30,774,527	735,336
Ehud Houminer	30,714,373	795,491
Robin A. Melvin	3,963	69

The terms of these Class II Directors expire in 2013.

Elected solely by APS holders, Common Shareholders not entitled to vote.

INFORMATION ABOUT THE REVIEW AND APPROVAL OF THE
FUND S INVESTMENT ADVISORY AGREEMENT(Unaudited)

At a meeting of the fund s Board of Directors held on November 8-9, 2010, the Board considered the renewal of the fund s Investment Advisory Agreement with Dreyfus pursuant to which Dreyfus provides the fund with investment advisory services, and the fund s separate Administration Agreement with Dreyfus, pursuant to which Dreyfus provides the fund with administrative services (together, the Agreements). 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 Dreyfus. In considering the renewal of the Agreements, the Board considered all factors that it believed to be relevant, including those discussed below. The Board did not identify any one factor as dispositive, and each Board member may have attributed different weights to the factors considered.

Analysis of Nature, Extent and Quality of Services Provided to the Fund. The Board members considered information previously provided to them in a presentation from representatives of Dreyfus regarding the nature, extent, and quality of the services provided to funds in the Dreyfus fund complex, and representatives of Dreyfus confirmed that there had been no material changes in this information. Dreyfus representatives noted the fund s closed-end structure. Dreyfus also had previously provided information regarding the diverse intermediary relationships and distribution channels of funds in the Dreyfus fund complex and Dreyfus corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services to each distribution channel, including the distribution channel(s) for the fund.

The Board members also considered research support available to, and portfolio management capabilities of, the fund s portfolio management personnel and that Dreyfus 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 Dreyfus extensive administrative, accounting, and compliance infrastructures.

Comparative Analysis of the Fund's Performance and Management Fee and Expense RatioThe Board members reviewed reports prepared by Lipper, Inc. (Lipper), an independent provider of investment company data, which included information comparing (1) the fund's performance with the performance of a group of comparable funds (the Performance Group) and with a broader group of funds (the Performance Universe), all for various periods ended September 30, 2010, and (2) the fund's actual and contractual management fees and total expenses with those of a group of comparable funds (the Expense Group) and with a broader group of funds (the Expense Universe), the information for which was derived in part from fund financial statements available to Lipper as of September 30, 2010. Dreyfus previously had furnished the Board with a description of the methodology Lipper used to select the Performance Group and Performance Universe and the Expense Group and Expense Universe.

Dreyfus representatives stated that the usefulness of performance comparisons may be affected by a number of factors, including different investment limitations that may be applicable to the fund and comparison funds. The Board members discussed the results of the comparisons and noted that the fund's total return performance on a net asset value basis variously was at or below the Performance Group median for various time periods, and was below the Performance Universe median for each time period except for the 1-year period where it was above the median. The Board members also noted that the fund's total return performance on a market price basis variously was above or below the Performance Group and Performance Universe medians for various time periods.

The Board also noted that the fund's yield performance, on a net asset value basis and on a market price basis, was variously at, above, or below the Performance Group and Performance Universe medians for the various time periods. Dreyfus also provided a comparison of the fund's calendar year total returns to the returns of the fund's Lipper category average.

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INFORMATION ABOUT THE REVIEW AND APPROVAL OF THE FUND'S
INVESTMENT ADVISORY AGREEMENT (Unaudited) *(continued)*

The Board received a presentation from the fund's portfolio manager regarding the fund's transition in 2009 from a generally lower average credit quality portfolio to a generally higher average credit quality portfolio and the impact that the timing of this transition has had on relative performance on a net asset value basis. The Board noted, as it had in prior meetings, that while this transition may have been implemented too soon in retrospect, the Board expressed its support for pursuing this strategy in the current volatile environment for municipal bonds generally. The Board also noted the fund's generally competitive yield performance results, stronger relative total return results in the Performance Universe, and generally stronger relative market price total return results, which reflect what investors actually realize from investing in fund shares.

The Board members also reviewed the range of actual and contractual management fees and total expenses of the Expense Group and Expense Universe funds and discussed the results of the comparisons. They noted that the fund's contractual management fee was above the Expense Group median, the fund's actual management fee was above the Expense Group and Expense Universe medians, and the fund's total expenses approximated the Expense Group median and were below the Expense Universe median. A Dreyfus representative noted that the undertaking by Dreyfus to waive receipt of .10% of the fund's investment advisory fee would be extended through May 31, 2011.

Representatives of Dreyfus reviewed with the Board members the management or investment advisory fees paid to Dreyfus or its affiliates by funds in the same Lipper category as the fund, or by separate accounts and/or other types of client portfolios managed by Dreyfus or Standish Mellon Asset Management Company, a Dreyfus affiliate and the primary employer of the fund's primary portfolio managers, considered to have similar investment strategies and policies as the fund (the Similar Accounts), and explained the nature of the Similar Accounts. Representatives of Dreyfus noted that neither Dreyfus nor Standish manage any institutional separate accounts considered to have similar investment strategies and policies as the fund. They discussed differences in fees paid and the relationship of the fees paid in light of any differences in the services provided and other relevant factors. The

Board members considered the relevance of the fee information provided for the Similar Accounts to evaluate the appropriateness and reasonableness of the fund's management fee.

Analysis of Profitability and Economies of Scale. Dreyfus' representatives reviewed the expenses allocated and profit received by Dreyfus and the resulting profitability percentage for managing the fund, and the method used to determine the expenses and profit. The Board concluded that the profitability results were not unreasonable given the services rendered and service levels provided by Dreyfus. The Board also noted the expense limitation arrangement and its effect on Dreyfus' profitability. The Board previously had been provided with information prepared by an independent consulting firm regarding Dreyfus' approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus fund complex. The consulting firm also had analyzed where any economies of scale might emerge in connection with the management of a fund.

The Board's counsel stated that the Board members should consider the profitability analysis (1) as part of their evaluation of whether the fees under the Agreements bear a reasonable relationship to the mix of services provided by Dreyfus, including the nature, extent, and quality of such services, and (2) in light of the relevant circumstances for the fund and 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. Dreyfus representatives noted that a discussion of economies of scale is predicated on a fund having achieved a substantial size with increasing assets and that the possibility that Dreyfus may have realized any economies of scale is less with respect to a closed-end fund that maintains a generally stable asset size. They also noted that, as a result of shared and allocated costs among funds in the Dreyfus funds complex, the extent of economies of scale could depend substantially on the level of assets in the complex as a whole, so that increases and decreases in complex-wide assets can affect potential economies of scale in a manner that is disproportionate to, or even in the opposite direction from, changes in the fund's asset level. The

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INFORMATION ABOUT THE REVIEW AND APPROVAL OF THE FUND'S
INVESTMENT ADVISORY AGREEMENT (Unaudited) *(continued)*

Board members also considered potential benefits to Dreyfus from acting as investment adviser and noted that there were no soft dollar arrangements in effect with respect to trading the fund's investments.

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 the renewal of the Agreements. Based on the discussions and considerations as described above, the Board concluded and determined as follows.

- The Board concluded that the nature, extent, and quality of the services provided by Dreyfus are adequate and appropriate.
- The Board generally was satisfied with the fund's overall performance, in light of the considerations described above.
- The Board concluded that the fees paid to Dreyfus were reasonable in light of the considerations described above.
- The Board determined that the economies of scale which may accrue to Dreyfus and its affiliates in connection with the management of the fund had been adequately considered by Dreyfus in connection with the fee rate charged to the fund pursuant to the Agreements and that, to the extent in the future it were 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 information received on a routine and regular basis throughout the year. In addition, it should be noted that the Board's consideration of the contractual fee arrangements for this fund had the benefit of a number of years of reviews of prior or similar agreements during which lengthy discussions took place between the Board members and Dreyfus representatives. Certain aspects of the arrangements may receive greater scrutiny in some years than in others, and the Board members' conclusions may be based, in part, on their consideration of the same or similar arrangements in prior years. The Board members determined that renewal of the Agreements was in the best interests of the fund and its shareholders.

BOARD MEMBERS INFORMATION (Unaudited)

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BOARD MEMBERS INFORMATION (Unaudited) *(continued)*

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OFFICERS OF THE FUND (Unaudited)

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

Chief Operating Officer and a director of the Manager since June 2009. From April 2003 to June 2009, Mr. Skapyak was the head of the Investment Accounting and Support Department of the Manager. He is an officer of 76 investment companies (comprised of 170 portfolios) managed by the Manager. He is 52 years old and has been an employee of the Manager since February 1988.

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

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

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

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

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

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

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

Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. She is 37 years old and has been an employee of the Manager since July 1995.

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

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

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

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Senior Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. She is 55 years old and has been an employee of the Manager since October 1988.

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

Senior Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since June 2000.

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

Senior Counsel of BNY Mellon, and an officer of 77 investment companies (comprised of 195 portfolios) managed by the Manager. She is 36 years old and has been an employee of the Manager since February 2001.

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

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

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

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

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

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

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

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

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

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

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

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

**RICHARD CASSARO, Assistant Treasurer
since January 2008.**

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

GAVIN C. REILLY, Assistant Treasurer
since December 2005.

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

ROBERT ROBOL, Assistant Treasurer
since August 2005.

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

The Fund 53

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

ROBERT SALVILOLO, Assistant Treasurer

since May 2007.

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

ROBERT SVAGNA, Assistant Treasurer

since August 2005.

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

JOSEPH W. CONNOLLY, Chief Compliance

Officer since October 2004.

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (77 investment companies, comprised of 195 portfolios). From November 2001 through March 2004, Mr. Connolly was first Vice-President, Mutual Fund Servicing for Mellon Global Securities Services. In that capacity, Mr. Connolly was responsible for managing Mellon's Custody, Fund Accounting and Fund Administration services to third-party mutual fund clients. He is 53 years old and has served in various capacities with the Manager since 1980, including manager of the firm's Fund Accounting Department from 1997 through October 2001.

The Fund

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OFFICERS AND DIRECTORS

Dreyfus Strategic Municipal Bond Fund, Inc.

200 Park Avenue
New York, NY 10166

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

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

The Fund

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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 1-800-SEC-0330.

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

Item 2. Code of Ethics.

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

Item 3. Audit Committee Financial Expert.

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

Item 4. Principal Accountant Fees and Services.

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

(b) Audit-Related Fees. The aggregate fees billed in the Reporting Periods for assurance and related services by the Auditor that are reasonably related to the performance of the audit of the Registrant's financial statements and are not reported under paragraph (a) of this Item 4 were \$5,276 in 2009 and \$5,382 in 2010. These services consisted of one or more of the following: (i) agreed upon procedures related to compliance with Internal Revenue Code section 817(h), (ii) security counts required by Rule 17f-2 under the Investment Company Act of 1940, as amended, (iii) advisory services as to the accounting or disclosure treatment of Registrant transactions or events and (iv) advisory services to the accounting or disclosure treatment of the actual or potential impact to the Registrant of final or proposed rules, standards or interpretations by the Securities and Exchange Commission, the Financial Accounting Standards Boards or other regulatory or standard-setting bodies.

The aggregate fees billed in the Reporting Periods for non-audit assurance and related services by the Auditor to the Registrant's investment adviser (not including any sub-investment adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by or under common control with the investment adviser that provides ongoing services to the Registrant ("Service Affiliates"), that were reasonably related to the performance of the annual audit of the Service Affiliate, which required pre-approval by the Audit Committee were \$0 in 2009 and \$0 in 2010.

(c) Tax Fees. The aggregate fees billed in the Reporting Periods for professional services rendered by the Auditor for tax compliance, tax advice, and tax planning ("Tax Services") were \$3,576 in 2009 and \$3,496 in 2010. These services consisted of: (i) review or preparation of U.S. federal, state, local and excise tax returns; (ii) U.S. federal, state and local tax planning, advice and assistance regarding statutory, regulatory or administrative developments, and

(iii) tax advice regarding tax qualification matters and/or treatment of various financial instruments held or proposed to be acquired or held. The aggregate fees billed in the Reporting Periods for Tax Services by the Auditor to Service Affiliates, which required pre-approval by the Audit Committee were \$0 in 2009 and \$0 in 2010.

(d) All Other Fees. The aggregate fees billed in the Reporting Periods for products and services provided by the Auditor, other than the services reported in paragraphs (a) through (c) of this Item, were \$149 in 2009 and \$189 in 2010. [These services consisted of a review of the Registrant's anti-money laundering program].

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

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

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

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

Non-Audit Fees. The aggregate non-audit fees billed by the Auditor for services rendered to the Registrant, and rendered to Service Affiliates, for the Reporting Periods were \$26,086,988 in 2009 and \$33,851,490 in 2010.

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

Item 5. Audit Committee of Listed Registrants.

Not applicable. [CLOSED-END FUNDS ONLY]

Item 6. Investments.

(a) Not applicable.

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

Not applicable. [CLOSED-END FUNDS ONLY]

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

(a) (1) The following information is as of February 1, 2011, the date of the filing of this report:

James Welch manages the Registrant.

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

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

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

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

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

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

<u>Portfolio Manager</u>	<u>Registered Investment Company Accounts</u>	<u>Assets Managed</u>	<u>Pooled Accounts</u>	<u>Assets Managed</u>	<u>Other Accounts</u>	<u>Assets Managed</u>
James Welch	9	\$5.27 billion	1	\$532.4 million	20	\$520.8 million

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

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

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<u>Portfolio Manager</u>	<u>Registrant Name</u>	<u>Dollar Range of Registrant</u> <u>Shares Beneficially Owned</u>
James Welch	Dreyfus Strategic Municipal Bond Fund, None Inc.	

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

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

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

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

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

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

Not applicable. [CLOSED-END FUNDS ONLY]

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

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

Item 11. Controls and Procedures.

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

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

Item 12. Exhibits.

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

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

(a)(3) Not applicable.

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

SIGNATURES

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

DREYFUS STRATEGIC MUNICIPAL BOND FUND, INC.

By: /s/ Bradley J. Skapyak

Bradley J. Skapyak,

President

Date: January 24, 2011

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

By: /s/ Bradley J. Skapyak

Bradley J. Skapyak,

President

Date: January 24, 2011

By: /s/ James Windels

James Windels,

Treasurer

Date: January 24, 2011

EXHIBIT INDEX

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

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

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

