

DREYFUS STRATEGIC MUNICIPALS INC  
Form N-CSR  
December 06, 2004  
**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

Investment Company Act file number 811-5245

DREYFUS STRATEGIC MUNICIPALS, INC.  
(Exact name of Registrant as specified in charter)

c/o The Dreyfus Corporation  
200 Park Avenue  
New York, New York 10166  
(Address of principal executive offices) (Zip code)

Mark N. Jacobs, Esq.  
200 Park Avenue  
New York, New York 10166  
(Name and address of agent for service)

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

Date of fiscal year end: 9/30  
Date of reporting period: 9/30/04

---

**FORM N-CSR**

**Item 1. Reports to Stockholders.**

**Dreyfus Strategic  
Municipals, Inc.**

**ANNUAL REPORT** September 30, 2004

---

## **Dreyfus Strategic Municipals, Inc.**

### **Protecting Your Privacy**

#### **Our Pledge to You**

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

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

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

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

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

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

***Thank you for this opportunity to serve you.***

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

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

## Contents

	<b>THE FUND</b>
<b>2</b>	Letter from the Chairman
<b>3</b>	Discussion of Fund Performance
<b>6</b>	Selected Information
<b>7</b>	Statement of Investments
<b>17</b>	Statement of Assets and Liabilities
<b>18</b>	Statement of Operations
<b>19</b>	Statement of Changes in Net Assets
<b>20</b>	Financial Highlights
<b>22</b>	Notes to Financial Statements
<b>28</b>	Report of Independent Registered Public Accounting Firm

<b>29</b>	Additional Information
<b>33</b>	Important Tax Information
<b>34</b>	Proxy Results
<b>35</b>	Board Members Information
<b>37</b>	Officers of the Fund
<b>41</b>	Officers and Directors
	<b>FOR MORE INFORMATION</b>

---

Back Cover

---

# The Fund

**Dreyfus  
Strategic Municipals, Inc.**

## LETTER FROM THE CHAIRMAN

Dear Shareholder:

This annual report for Dreyfus Strategic Municipals, Inc. covers the 12-month period from October 1, 2003, through September 30, 2004. Inside, you'll find valuable information about how the fund was managed during the reporting period, including a discussion with the fund's portfolio manager, W. Michael Petty.

The U.S. economy has alternated between signs of strength and weakness, causing heightened volatility in the municipal bond market. Although the Federal Reserve Board (the "Fed") raised short-term interest rates three times toward the end of the reporting period, bond prices generally have held up better than many analysts expected, as investors apparently have revised their economic expectations in response to the insurgency in Iraq, higher energy prices and some disappointing labor statistics.

The Fed's move to a less accommodative monetary policy may be signaling the beginning of a new phase in the economic cycle. At times such as these, when market conditions are in a period of transition, we believe it is especially important for investors to stay in close touch with their financial advisors. Your financial advisor can help you rebalance your portfolio in a way that is designed to respond to the challenges and opportunities of today's changing investment environment.

Thank you for your continued confidence and support.

The Dreyfus Corporation  
October 15, 2004

**2**

---

## DISCUSSION OF FUND PERFORMANCE

W. Michael Petty, Portfolio Manager

### **How did Dreyfus Strategic Municipals, Inc. perform?**

For the 12-month period ended September 30, 2004, the fund achieved a total return of 7.98% .<sup>1</sup> During the same period, the fund provided income dividends of \$0.648 per share, which is equal to a distribution rate of 7.31% .<sup>2</sup>

Although investors' concerns regarding potentially higher interest rates caused heightened market volatility during the reporting period, municipal bond prices ended the reporting period only slightly higher than where they began, as investors' expectations of economic growth and inflation moderated and the fiscal condition of many states and municipalities improved. In this environment, the fund particularly benefited from strong income returns from its core holdings of seasoned municipal bonds.

### **What is the fund's investment approach?**

The fund's investment objective is to maximize current income exempt from federal income tax to the extent consistent with the preservation of capital. Under normal market conditions, the fund invests at least 80% of its net assets in municipal obligations. Generally, the fund invests at least 50% of its net assets in municipal bonds considered investment-grade or the unrated equivalent as determined by Dreyfus in the case of bonds, and in the two highest-rating categories or the unrated equivalent as determined by Dreyfus in the case of short-term obligations having or deemed to have maturities of less than one year.

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

The Fund 3

---

### **DISCUSSION OF FUND PERFORMANCE (continued)**

Over time, many of the fund's relatively higher-yielding bonds mature or are redeemed by their issuers, and we generally attempt to replace those bonds with investments consistent with the fund's investment policies. When we believe an opportunity exists, we also may seek to upgrade the portfolio's investments with newly issued bonds that, in our opinion, have better structural or income characteristics than existing holdings.

### **What other factors influenced the fund's performance?**

When the reporting period began, municipal bond prices were recovering from the previous summer's sharp declines, when signs of stronger economic growth fueled concerns among investors that the rate of inflation might accelerate. However, these concerns gradually moderated over time amid persistently weak labor markets, and municipal bond prices generally rallied through the first quarter of 2004.

In early April, however, evidence of stronger job growth and rising energy prices rekindled investors' inflation-related concerns, causing municipal bond prices to fall sharply. To forestall potential inflationary pressures, the Federal Reserve Board raised its target for short-term interest rates three times between June and September, driving the overnight federal funds rate from 1% to 1.75% . However, investors' inflation fears eased again, when new economic data released during the summer suggested that higher energy prices and the insurgency in Iraq were constraining economic growth. As a result, municipal bonds erased most of their previous losses.

Despite recent signs of potential economic weakness, better business conditions have benefited tax revenues for many states and municipalities, relieving some of the fiscal pressures that arose during the economic downturn. In addition, some states have bridged their budget gaps with higher taxes and fees. Consequently, the supply of newly issued municipal bonds fell compared to the same period one year earlier, helping to support bond prices and putting downward pressure on yields.

In this volatile market environment, the fund benefited from strong income contributions from its core holdings of seasoned bonds, most of which offered higher yields than were available during the reporting period. In addition, many of the fund's lower-rated holdings — including tax-exempt bonds issued by corporations and bonds backed by the states — settlement of litigation with U.S. tobacco companies — gained value as business conditions improved and —credit spreads— narrowed.

### What is the fund's current strategy?

Although we have continued to attempt to reduce the fund's average duration in anticipation of further interest-rate increases, opportunities to do so without sacrificing income have been limited. However, as of the end of the reporting period, we were able to lower the fund's average duration to about 5.4 years. We also have strived to manage risks by diversifying the fund's assets more broadly among state issuers. During the reporting period, we reduced the fund's relatively heavy exposure to Texas bonds and added to its relatively light holdings of bonds from New York and California. In our view, these are prudent strategies in today's uncertain economic environment.

October 15, 2004

<sup>1</sup> Total return includes reinvestment of dividends and any capital gains paid, based upon net asset value per share. Past performance is no guarantee of future results. Market price per share, net asset value per share and investment return fluctuate. Income may be subject to state and local taxes, and some income may be subject to the federal alternative minimum tax (AMT) for certain investors. Capital gains, if any, are fully taxable.

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

The Fund 5

## SELECTED INFORMATION

September 30, 2004 (Unaudited)

Market Price per share September 30, 2004	\$8.86
Shares Outstanding September 30, 2004	60,588,631
New York Stock Exchange Ticker Symbol	LEO

## MARKET PRICE (NEW YORK STOCK EXCHANGE)

Fiscal Year Ended September 30, 2004

	Quarter Ended December 31, 2003	Quarter Ended March 31, 2004	Quarter Ended June 30, 2004	Quarter Ended September 30, 2004
High	\$9.90	\$10.20	\$9.54	\$8.96
Low	9.30	9.51	7.86	8.22
Close	9.84	9.59	8.14	8.86

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

September 23, 1987 (commencement of operations)

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

through September 30, 2004	205.35%
October 1, 1994 through September 30, 2004	77.89
October 1, 1999 through September 30, 2004	57.27
October 1, 2003 through September 30, 2004	1.55
January 1, 2004 through September 30, 2004	(5.09)
April 1, 2004 through September 30, 2004	(4.25)
July 1, 2004 through September 30, 2004	10.75

**NET ASSET VALUE PER SHARE**

September 23, 1987 (commencement of operations)	\$9.32
September 30, 2003	9.14
December 31, 2003	9.25
March 31, 2004	9.35
June 30, 2004	8.85
September 30, 2004	9.18

**PERCENTAGE GAIN** based on change in Net Asset Value\*

September 23, 1987 (commencement of operations)	
through September 30, 2004	239.45%
October 1, 1994 through September 30, 2004	87.06
October 1, 1999 through September 30, 2004	38.53
October 1, 2003 through September 30, 2004	7.98
January 1, 2004 through September 30, 2004	4.62
April 1, 2004 through September 30, 2004	1.75
July 1, 2004 through September 30, 2004	5.54

\* With dividends reinvested.

6

**STATEMENT OF INVESTMENTS**

September 30, 2004

<b>Long-Term Municipal Investments</b> 149.4%	Principal Amount (\$)	Value (\$)
<b>Alabama</b> 5.5%		
Houston County Health Care Authority 6.25%, 10/1/2030 (Insured; AMBAC)	8,000,000	9,088,640
Jefferson County, Sewer Revenue: 5.25%, 2/1/2023 (Insured; FGIC) (Prerefunded 8/1/2012)	5,000,000 <sup>a</sup>	5,666,350
5%, 2/1/2041 (Insured; FGIC) (Prerefunded 8/1/2012)	2,385,000 <sup>a</sup>	2,648,066
5%, 2/1/2041 (Insured; FGIC) (Prerefunded 8/1/2012)	11,750,000 <sup>a</sup>	13,114,527

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

**Alaska 2.0%**

Alaska Housing Finance Corp. 6%, 6/1/2049 (Insured; MBIA)	4,000,000	4,181,400
Anchorage, Wastewater Revenue 5.125%, 5/1/2034 (Insured; MBIA)	6,620,000	6,842,631

**Arkansas 2.3%**

Arkansas Development Finance Authority, SFMR (Mortgage Backed Securities Program): 6.45%, 7/1/2031 (Guaranteed; GNMA, FNMA)	2,550,000	2,684,920
6.25%, 1/1/2032 (Guaranteed; GNMA)	3,835,000	4,022,340
Little Rock School District 5.25%, 2/1/2030 (Insured; FSA)	6,000,000	6,272,640

**Arizona 5.3%**

Maricopa Pollution Control Corp., PCR (Public Service Co.) 5.75%, 11/1/2022	6,000,000	6,171,060
Pima County Industrial Development Authority, Industrial Revenue (Tucson Electric Power Co. Project) 6%, 9/1/2029	13,505,000	13,503,649
Scottsdale Industrial Development Authority, HR (Scottsdale Healthcare) 5.80%, 12/1/2031	6,000,000	6,212,040
Tucson, Water System Revenue 5%, 7/1/2021 (Insured; FGIC)	3,500,000	3,682,245

**California 14.0%**

California Infrastructure and Economic Development Bank, Revenue (Bay Area Toll Bridges) 5.25%, 7/1/2017 (Insured; FSA)	12,360,000	13,717,128
State of California: 9.003%, 12/1/2018 (Insured; FSA)	10,000,000 <sup>b,c</sup>	10,438,800
5.50%, 4/1/2028	4,000,000	4,269,840
Economic Recovery 5%, 7/1/2016	10,000,000	10,717,500

**The Fund 7**

STATEMENT OF INVESTMENTS (continued)

<b>Long-Term Municipal Investments (continued)</b>	Principal Amount (\$)	Value (\$)
<b>California (continued)</b>		
California Department of Water Resources, Power Supply Revenue: 5.50%, 5/1/2013 (Insured; AMBAC)	11,080,000	12,647,488
5.125%, 5/1/2018 (Insured; FGIC)	6,000,000	6,517,020
Golden State Tobacco Securitization Corp., Tobacco Settlement Revenue 7.80%, 6/1/2042	8,100,000	8,631,036
Los Angeles Unified School District		

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

5.25%, 7/1/2020 (Insured; FSA)	7,200,000	7,878,168
Oakland 5%, 1/15/2026 (Insured; MBIA)	2,890,000	2,979,792
<b>Colorado</b> 3.5%		
Denver City and County, Special Facilities Airport Revenue (United Airlines Project)		
6.875%, 10/1/2032	6,950,000 <sup>d</sup>	5,143,000
Northwest Parkway Public Highway Authority, Revenue 7.125%, 6/15/2041	6,750,000	7,178,423
Silver Dollar Metropolitan District 7.05%, 12/1/2030	5,000,000	5,060,200
Southlands Metropolitan District Number 1 7.125%, 12/1/2034	2,000,000	1,997,260
<b>Florida</b> 2.7%		
Florida Housing Finance Corp., Housing Revenue (Nelson Park Apartments)		
6.40%, 3/1/2040 (Insured; FSA)	12,380,000	13,127,257
Orange County Health Facility Authority, HR (Regional Healthcare Systems) 6%, 10/1/2026	2,000,000	2,097,580
<b>Georgia</b> 1.7%		
Brooks County Development Authority, Sewer Revenue Health and Housing Facilities		
5.70%, 1/20/2039 (Insured; GNMA)	4,445,000	4,742,770
Milledgeville-Baldwin County Development Authority, Revenue (Georgia College & State Foundation):		
6%, 9/1/2013	2,090,000	2,328,385
6%, 9/1/2033	2,000,000	2,120,320
<b>Hawaii</b> 0.6%		
Hawaii Department of Transportation, Special Facility Revenue (Caterair International Corp. Project) 10.125%, 12/1/2010	3,300,000	3,300,627
<b>Idaho</b> 0.6%		
Power County Industrial Development Corp, SWDR (FMC Corp. Project) 6.45%, 8/1/2032	3,250,000	3,334,533

8

---

<b>Long-Term Municipal Investments (continued)</b>	Principal Amount (\$)	Value (\$)
<b>Illinois</b> 8.5%		
Chicago:		
6.125%, 1/1/2028 (Insured; FGIC) (Wastewater Transmission Revenue)	15,815,000	18,160,997
6%, 1/1/2030 (Insured; MBIA) (Prerefunded 1/1/2010)	3,000,000 <sup>a</sup>	3,481,320
Chicago-O'Hare International Airport, Special		



Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

Facility Revenue (United Airlines, Inc. Project) 6.75%, 11/1/2011	2,000,000 <sup>d</sup>	720,000
Illinois Educational Facilities Authority, Revenue (University of Chicago) 5.125%, 7/1/2038 (Insured; MBIA)	7,000,000	7,113,680
Illinois Health Facilities Authority, Revenue: (Advocate Network Health Care) 6.125%, 11/15/2022	4,020,000	4,454,482
(OSF Healthcare System) 6.25%, 11/15/2029	7,730,000	8,141,004
(Swedish American Hospital) 6.875%, 11/15/2030	4,985,000	5,491,226
<b>Indiana 2.5%</b>		
Franklin Township Independent School Building Corp., First Mortgage 6.125%, 1/15/2022 (Prerefunded 7/15/2010)	6,500,000 <sup>a</sup>	7,696,910
Indiana Housing Finance Authority, SFMR 5.95%, 1/1/2029	1,690,000	1,739,737
Petersburg, PCR (Indiana Power and Light) 6.375%, 11/1/2029	4,150,000	4,328,740
<b>Kansas 4.9%</b>		
Kansas Development Finance Authority, Revenue: (Board of Regents-Scientific Resource) 5%, 10/1/2021 (Insured; AMBAC)	5,290,000	5,634,855
Health Facility (Sisters of Charity) 6.25%, 12/1/2028	3,000,000	3,394,110
Wyandotte County (Kansas University School District No. 500) 5.25%, 9/1/2015 (Insured; FSA)	6,455,000	7,310,029
Wichita, HR (Christian Health System Inc.) 6.25%, 11/15/2024	10,000,000	10,869,600
<b>Louisiana 3%</b>		
Parish of Saint James, SWDR (Freeport-McMoRan Partnership Project) 7.70%, 10/1/2022	1,390,000	1,392,266
<b>Maine 6%</b>		
Maine Housing Authority, Mortgage 5.30%, 11/15/2023	3,335,000	3,500,049

The Fund 9

STATEMENT OF INVESTMENTS (continued)

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
<b>Maryland 1.4%</b>		
Maryland Economic Development Corp., Student Housing Revenue (University of Maryland): 6.50%, 6/1/2027	3,000,000	3,265,860
5.75%, 10/1/2033	4,500,000	4,649,985

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

**Massachusetts 2.5%**

Massachusetts Industrial Finance Agency, Revenue (Ogden Haverhill Project) 5.60%, 12/1/2019	6,000,000		5,971,620
Massachusetts Health and Educational Facilities Authority, Revenue:			
(Civic Investments) 9%, 12/15/2015	2,000,000		2,315,300
(Partners Healthcare System) 5.75%, 7/1/2032	5,000,000		5,392,550

**Michigan 4.7%**

Michigan Hospital Finance Authority, HR: (Ascension Health Credit)			
6.125%, 11/15/2026 (Prerefunded 11/15/2009)	5,000,000	a	5,826,550
(Crittenton Hospital) 5.625%, 3/1/2027	1,200,000		1,248,876
(Genesys Health System Obligated Group)			
8.125%, 10/1/2021 (Prerefunded 10/1/2005)	5,000,000	a	5,417,000
Michigan Strategic Fund:			
RRR (Detroit Edison Co.) 5.25%, 12/15/2032	3,000,000		3,104,880
SWDR (Genesee Power Station Project)			
7.50%, 1/1/2021	12,040,000		10,605,434

**Minnesota 2.4%**

Duluth Economic Development Authority, Health Care Facilities Revenue (Saint Luke's Hospital) 7.25%, 6/15/2032	5,000,000		5,235,550
Saint Paul Port Authority, Hotel Facility Revenue (Radisson Kellogg Project) 7.375%, 8/1/2029	3,000,000		3,043,980
Winona, Health Care Facilities Revenue (Winona Health) 6%, 7/1/2026	5,000,000		5,148,200

**Mississippi 3.4%**

Claiborne County, PCR (System Energy Resources, Inc.) 6.20%, 2/1/2026	4,545,000		4,545,455
Mississippi Business Finance Corp., PCR (System Energy Resources Inc. Project) 5.875%, 4/1/2022	14,310,000		14,355,363

**Missouri 2.9%**

Missouri Development Finance Board, Infrastructure Facilities Revenue (Branson):			
5.375%, 12/1/2027	2,000,000		2,044,940
5.50%, 12/1/2032	4,500,000		4,614,165

10

---

<b>Long-Term Municipal Investments (continued)</b>	Principal Amount (\$)	Value (\$)
<b>Missouri (continued)</b>		
Missouri Health and Educational Facilities Authority, Health Facilities Revenue (Saint Anthony's		

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

Medical Center) 6.25%, 12/1/2030	6,750,000	7,146,293
Saint Louis Industrial Development Authority, Revenue (Saint Louis Convention Center) 7.25%, 12/15/2035	3,375,000	2,558,925
<b>Montana</b> 2.5%		
Montana Board of Housing, Single Family Mortgage 6.45%, 6/1/2029	2,675,000	2,773,146
<b>Nevada</b> 2.5%		
Washoe County (Reno-Sparks Convention Center) 6.40%, 7/1/2029 (Insured; FSA) (Prerefunded 1/1/2010)	12,000,000 <sup>a</sup>	14,041,560
<b>New Hampshire</b> 2.7%		
New Hampshire Business Finance Authority, PCR (Public Service Co. of New Hampshire) 6%, 5/1/2021 (Insured; AMBAC)	7,000,000	7,754,040
New Hampshire Health and Educational Facilities Authority, Revenue (Exeter Project): 6%, 10/1/2024	1,000,000	1,083,720
5.75%, 10/1/2031	1,000,000	1,047,010
New Hampshire Industrial Development Authority, PCR (Connecticut Light and Power) 5.90%, 11/1/2016	5,000,000	5,141,250
<b>New Jersey</b> 7.0%		
New Jersey Health Facilities Financing Authority, Revenue (Christian Health Care Center) 8.75%, 7/1/2018 (Prerefunded 7/1/2006)	13,265,000 <sup>a</sup>	14,862,769
New Jersey Transportation Trust Fund Authority, Transportation System 5.50%, 6/15/2017	9,000,000	10,057,590
New Jersey Turnpike Authority, Turnpike Revenue 5%, 1/1/2019 (Insured; FGIC)	5,000,000	5,375,450
Tobacco Settlement Financing Corp.: 6.75%, 6/1/2039	5,000,000	4,808,950
7%, 6/1/2041	4,000,000	3,939,760
<b>New Mexico</b> 1.7%		
Farmington, PCR: (El Paso Electric Co. Project) 6.375%, 6/1/2032	5,370,000	5,509,029
(Tucson Electric Power Co., San Juan) 6.95%, 10/1/2020	4,000,000	4,200,400

The Fund **11**

STATEMENT OF INVESTMENTS (continued)

Long-Term Municipal Investments (continued)	Principal Amount (\$)	Value (\$)
<b>New York</b> 11.8%		

Edgar Filing: DREYFUS STRATEGIC MUNICIPALS INC - Form N-CSR

Long Island Power Authority, New York Electric  
System Revenue 8.312%, 12/1/2016  
City of New York:

10,000,000

b,c

11,663,000