DREYFUS STRATEGIC MUNICIPAL BOND FUND INC
Form N-CSR
January 30, 2009

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:	11/30/08	

FORM N-CSR

Item 1. **Reports to Stockholders.**

Dreyfus Strategic Municipal Bond Fund, Inc.

ANNUAL REPORT November 30, 2008

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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THE FUND

The Fund

Dreyfus
Strategic Municipal Bond Fund, Inc.

A LETTER FROM THE CEO

Dear Shareholder:

We present to you this annual report for Dreyfus Strategic Municipal Bond Fund, Inc., covering the 12-month period from December 1, 2007, through November 30, 2008.

The U.S. and global economies suffered during the reporting period amid a financial crisis that sparked sharp declines in virtually all areas of the financial markets, including municipal bonds. According to our Chief Economist, four key elements fueled the crisis: a sharp decline in home prices; high leverage and an ambiguous private/public status at mortgage agencies Fannie Mae and Freddie Mac; high leverage among financial institutions, especially investment banks; and regulatory policies and behaviors that exacerbated financial stresses.The governments and central banks of major industrialized nations have responded with massive interventions, including nationalizing some troubled financial institutions, providing loans to others and guaranteeing certain financial instruments. However, the U.S. and global financial systems remain fragile, and economic weakness is likely to persist.

In our view, today s investment environment is rife with near-term challenges and long-term opportunities. Now more than ever, it is important to ensure that your investments are aligned with your current needs, future goals and attitudes toward risk.We urge you to speak regularly with your financial advisor, who can recommend the course of action that is right for you.

For information about how the fund performed during the reporting period, as well as market perspectives, we have provided a Discussion of Fund Performance given by the fund s Portfolio Manager.

Thank you for your continued confidence and support.

Jonathan R. Baum
Chief Executive Officer
The Dreyfus Corporation
December 15, 2008

DISCUSSION OF FUND PERFORMANCE

For the period of December 1, 2007, through November 30, 2008, as provided by James Welch, Senior Portfolio Manager

Fund and Market Performance Overview

For the 12-month period ended November 30, 2008, Dreyfus Strategic Municipal Bond Fund achieved a total return of 16.19% on a net-asset-value basis.[1] Over the same period, the fund provided aggregate income dividends of $0.468 per share, which reflects an annualized distribution rate of 8.46% .2

Municipal bonds suffered bouts of poor liquidity and lack of investor confidence due to a severe financial crisis and economic downturn. Although the fund s income stream and higher-quality holdings held up relatively well in this challenging environment, lower-rated bonds were a drag on total returns.

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. Municipal bonds are classified as general obligation bonds, revenue bonds and notes. 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 the ability to issue auction-rate preferred stock and invests 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. In addition, we conduct credit analysis of the fund s holdings in an attempt to avoid potential defaults on interest and principal payments.

Municipal Bonds Declined in the Financial Crisis

Like other asset classes, municipal bonds encountered heightened volatility during a U.S. economic downturn led by slumping home prices, rising unemployment, a surge in mortgage foreclosures and plummeting consumer confidence. In addition, a credit crunch that began in 2007 mushroomed into a severe global financial crisis over the summer of 2008, resulting in the failure of several major U.S. financial institutions. Highly leveraged institutional investors were forced to sell creditworthy investments, including municipal bonds, to meet margin calls and redemptions, putting downward pressure on prices. In addition, several major bond insurers suffered massive sub-prime related losses, causing insured bonds to trade at lower levels commensurate with their underlying credit quality.The financial crisis also led to severely curtailed liquidity conditions, especially in the shorter-term segments of the municipal bond market.

These developments boosted the supply of longer-term municipal bonds, causing prices to fall and yields to rise. Indeed, February, September and October 2008 represented three of the worst months in the municipal bond market s history, and during some of the reporting period, tax-exempt yields were significantly higher than those of comparable taxable U.S.Treasury securities.

Lower-Rated, Longer-Term Securities Suffered

The market downturn proved to be particularly damaging to municipal bonds with credit ratings below the AAA range, as risk-averse investors flocked toward the traditional safe havens of U.S. government securities. Because the fund s strategy for maximizing tax-free income relies on such securities, including an allocation to bonds rated below investment

grade, this development detracted from performance. In response, we intensified our credit research, and our analysts confirmed the sound underlying credit fundamentals of the fund s holdings, many of which we believe were punished too severely in the market downturn.

Whenever market conditions allowed, we attempted to take advantage of historically attractive valuations to upgrade the fund s credit quality and reduce its weighted average maturity.When suitable opportunities presented themselves, we focused new purchases on high-quality municipal bonds in the 20-year maturity range. However, these opportunities proved scarce due to limited liquidity.

Finally, the fund s leveraging strategy exacerbated the effects of falling bond prices but helped boost its current income stream. Rates on the fund s auction-rate preferred shares, which are issued to fund its leveraging strategy, remained low despite dislocations in the auction-rate securities market.

Maintaining a Cautious Investment Posture

As of the reporting period s end, the U.S. economy has remained weak, and the financial crisis has persisted. Therefore, over the near term, we intend to maintain our efforts to attain a more defensive investment posture. Over the longer term, however, we believe that low valuations, high yields relative to taxable U.S. government securities and the likelihood of rising federal and state taxes make municipal bonds an attractive asset class.

December 15, 2008

1 *Total return includes reinvestment of dividends and any capital gains paid, based upon net asset value per share. Past performance is no guarantee of future results. 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 October 31, 2009. Had these expenses not been absorbed, the fund s return would have been lower.*

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

SELECTED INFORMATION

November 30, 2008 (Unaudited)

STATEMENT OF INVESTMENTS

November 30, 2008

Long-Term Municipal Investments 149.3%	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Alaska 4.8%				
Alaska Housing Finance Corporation, General Mortgage Revenue (Insured; MBIA, Inc.)	6.05	6/1/39	11,915,000	11,687,423
Alaska Housing Finance Corporation, Single-Family Residential Mortgage Revenue (Veterans Mortgage Program)	6.25	6/1/35	3,975,000	3,980,605
Arizona 3.7%				
Apache County Industrial Development Authority, PCR (Tucson Electric Power Company Project)	5.85	3/1/28	1,920,000	1,467,629
Arizona Health Facilities Authority, Revenue (Banner Health)	5.50	1/1/38	1,500,000	1,281,825
Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue	7.00	7/1/33	6,010,000	6,260,557
Pima County Industrial Development Authority, Education Revenue (American Charter Schools Foundation Project)	5.50	7/1/26	4,000,000	2,971,640
Arkansas .7%				
Arkansas Development Finance Authority, SFMR (Mortgage Backed Securities Program) (Collateralized: FNMA and GNMA)	6.25	1/1/32	2,380,000	2,428,171
California 5.8%				
California Department of Veteran Affairs, Home Purchase Revenue	5.20	12/1/28	2,950,000	2,815,893
California Educational Facilities Authority, Revenue (University of Southern California)	4.50	10/1/33	6,740,000	5,525,789
California Enterprise Development Authority, Sewage Facilities Revenue (Anheuser-Busch Project)	5.30	9/1/47	1,000,000	689,960
California Health Facilities Financing Authority, Revenue				

(Cedars-Sinai Medical Center)	6.25	12/1/09	3,750,000 [a]	3,982,387

STATEMENT OF INVESTMENTS *(continued)*

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
California (continued)				
California Statewide Communities Development Authority, Environmental Facilities Revenue (Microgy Holdings Project)	9.00	12/1/38	2,000,000	1,720,340
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	5.00	6/1/33	2,000,000	1,213,860
Sacramento City Unified School District, GO (Insured; FSA)	0.00	7/1/24	5,220,000 [b]	2,092,802
Silicon Valley Tobacco Securitization Authority, Tobacco Settlement Asset-Backed Bonds (Santa Clara County Tobacco Securitization Corporation)	0.00	6/1/36	15,290,000 [b]	1,016,938
Colorado 3.8%				
Colorado Health Facilities Authority, Revenue (American Baptist Homes of the Midwest Obligated Group)	5.90	8/1/37	2,500,000	1,673,575
Colorado Health Facilities Authority, Revenue (American Housing Foundation I, Inc. Project)	8.50	12/1/31	1,920,000	1,888,685
Colorado Housing Finance Authority, Single Family Program Senior and Subordinate Bonds (Collateralized; FHA)	6.60	8/1/32	1,560,000	1,593,119
Northwest Parkway Public Highway Authority, Revenue	7.13	6/15/11	7,000,000 [a]	7,404,740
Connecticut 4.1%				
Connecticut Development Authority, PCR (Connecticut Light and Power Company Project)	5.95	9/1/28	9,000,000	7,030,170
Connecticut Resources Recovery Authority, Special Obligation Revenue (American REF-FUEL Company of Southeastern Connecticut Project)	6.45	11/15/22	4,985,000	3,851,012

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Connecticut (continued)				
Mohegan Tribe of Indians of Connecticut Gaming Authority, Priority Distribution Payment Public Improvement Revenue	6.25	1/1/31	3,470,000	2,588,273
District of Columbia 1.5%				
District of Columbia Tobacco Settlement Financing Corporation, Tobacco Settlement Asset-Backed Bonds	0.00	6/15/46	104,040,000 [b]	2,271,193
Metropolitan Washington Airports Authority, Special Facility Revenue (Caterair International Corporation)	10.13	9/1/11	2,700,000	2,624,346
Florida 5.3%				
Escambia County, EIR (International Paper Company Project)	5.00	8/1/26	1,825,000	1,063,227
Florida Housing Finance Corporation, Housing Revenue (Seminole Ridge Apartments) (Collateralized; GNMA)	6.00	4/1/41	6,415,000	5,567,899
Highlands County Health Facilities Authority, HR (Adventist Health System/Sunbelt Obligated Group)	5.25	11/15/36	2,875,000	2,308,510
Jacksonville Economic Development Commission, Health Care Facilities Revenue (Florida Proton Therapy Institute Project)	6.25	9/1/27	2,095,000 [c]	1,628,087
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/09	70,000 [a]	73,445
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/26	3,675,000	3,385,814
Orange County Health Facilities Authority, Revenue (Adventist Health System)	6.25	11/15/12	3,000,000 [a]	3,397,770

STATEMENT OF INVESTMENTS *(continued)*

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Georgia 1.7%				
Augusta, Airport Revenue	5.45	1/1/31	2,500,000	1,752,050
Georgia Housing and Finance Authority, SFMR	5.60	12/1/32	2,090,000	1,986,649
Savannah Economic Development Authority, EIR (International Paper Company Project)	6.20	8/1/27	2,670,000	1,798,218
Idaho .7%				
Idaho Health Facilities Authority, Revenue (Trinity Health Credit Group)	6.25	12/1/33	2,250,000	2,201,445
Idaho Housing and Finance Association, SFMR (Collateralized; FNMA)	6.35	1/1/30	260,000	245,757
Illinois 6.1%				
Chicago, SFMR (Collateralized: FHLMC, FNMA and GNMA)	6.25	10/1/32	1,430,000	1,459,372
Chicago O Hare International Airport, Special Facility Revenue (American Airlines, Inc. Project)	5.50	12/1/30	4,000,000	1,604,000
Illinois Health Facilities Authority, Revenue (Advocate Health Care Network)	6.13	11/15/10	5,000,000 [a]	5,408,950
Illinois Health Facilities Authority, Revenue (OSF Healthcare System)	6.25	11/15/09	10,900,000 [a]	11,531,982
Indiana 2.0%				
Franklin Township School Building Corporation, First Mortgage Bonds	6.13	7/15/10	6,000,000 [a]	6,536,520
Kentucky .8%				
Louisville/Jefferson County Metro Government, Health Facilities Revenue (Jewish Hospital and Saint Mary s Healthcare, Inc. Project)	6.13	2/1/37	3,000,000	2,558,790

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Louisiana 4.5%				
Lakeshore Villages Master				

Community Development District, Special Assessment Revenue	5.25	7/1/17	1,987,000	1,622,386
Louisiana Local Government Environmental Facilities and Community Development Authority, Revenue (Westlake Chemical Corporation Projects)	6.75	11/1/32	4,000,000	2,961,800
Saint John the Baptist Parish, Revenue (Marathon Oil Corporation Project)	5.13	6/1/37	4,800,000	3,069,744
West Feliciana Parish, PCR (Entergy Gulf States Project)	7.00	11/1/15	3,000,000	2,756,520
West Feliciana Parish, PCR (Entergy Gulf States Project)	6.60	9/1/28	4,700,000	4,229,389
Maryland 3.0%				
Maryland Economic Development Corporation, Senior Student Housing Revenue (University of Maryland, Baltimore Project)	5.75	10/1/33	2,550,000	1,618,205
Maryland Health and Higher Educational Facilities Authority, Revenue (The Johns Hopkins University Issue)	5.25	7/1/38	5,000,000	4,925,850
Maryland Industrial Development Financing Authority, EDR (Medical Waste Associates Limited Partnership Facility)	8.75	11/15/10	3,710,000	3,160,141
Massachusetts 4.6%				
Massachusetts Educational Financing Authority, Education Loan Revenue (Insured; Assured Guaranty)	6.13	1/1/22	8,000,000	7,801,520
Massachusetts Health and Educational Facilities Authority, Revenue (Civic Investments Issue)	9.00	12/15/12	2,000,000 [a]	2,387,140

STATEMENT OF INVESTMENTS *(continued)*

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Massachusetts (continued)				
Massachusetts Health and Educational Facilities Authority, Revenue (Partners HealthCare System Issue)	5.75	7/1/32	115,000	108,148

Massachusetts Housing Finance Agency, SFHR	5.00	12/1/31	6,000,000	4,677,600
Michigan 3.0%				
Kent Hospital Finance Authority, Revenue (Metropolitan Hospital Project)	6.00	7/1/35	4,000,000	3,093,480
Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	8,120,000	6,664,084
Minnesota 2.5%				
Saint Paul Housing and Redevelopment Authority, Hospital Facility Revenue (HealthEast Project)	6.00	11/15/35	11,250,000	8,149,838
Mississippi 1.0%				
Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project)	5.90	5/1/22	4,260,000	3,394,411
Missouri 1.9%				
Missouri Health and Educational Facilities Authority, Health Facilities Revenue (BJC Health System)	5.25	5/15/32	7,000,000	6,392,820
Nebraska .2%				
Nebraska Investment Finance Authority, SFMR	8.64	3/1/26	700,000 [c,d]	708,414
Nevada 3.1%				
Clark County, IDR (Nevada Power Company Project)	5.60	10/1/30	3,000,000	1,761,990
Washoe County, GO Convention Center Revenue (Reno-Sparks Convention and Visitors Authority) (Insured; FSA)	6.40	1/1/10	8,000,000 [a]	8,404,400

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
New Hampshire 4.1%				
New Hampshire Business Finance Authority, PCR (Public Service Company of New Hampshire Project) (Insured; MBIA, Inc.)	6.00	5/1/21	2,690,000	2,484,161
New Hampshire Business Finance Authority, PCR (Public Service Company of New Hampshire Project) (Insured; MBIA, Inc.)	6.00	5/1/21	6,000,000	5,540,880
New Hampshire Industrial				

Development Authority, PCR (Connecticut Light and Power Company Project)	5.90	11/1/16	5,400,000	5,321,970
New Jersey 4.5%				
New Jersey Economic Development Authority, Special Facility Revenue (Continental Airlines, Inc. Project)	6.25	9/15/19	4,620,000	2,831,090
Tobacco Settlement Financing Corporation of New Jersey, Tobacco Settlement Asset-Backed Bonds	7.00	6/1/13	10,095,000 [a]	11,928,252
New York 7.6%				
Austin Trust (Port Authority of New York and New Jersey, Consolidated Bonds, 151th Series)	6.00	9/15/28	10,000,000 [c,e]	9,383,150
Metropolitan Transportation Authority, Transportation Revenue	6.25	11/15/23	5,000,000	5,233,850
New York City Industrial Development Agency, Special Facility Revenue (American Airlines, Inc. John F. Kennedy International Airport Project)	8.00	8/1/28	3,000,000	2,161,470
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	3,454,950

STATEMENT OF INVESTMENTS *(continued)*

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
New York (continued)				
New York State Dormitory Authority, Revenue (Marymount Manhattan College) (Insured; Radian)	6.25	7/1/29	4,000,000	3,755,880
New York State Dormitory Authority, Revenue (Suffolk County Judicial Facility)	9.50	4/15/14	605,000	786,488
North Carolina 1.5%				
North Carolina Eastern Municipal Power Agency, Power				

System Revenue	6.70	1/1/19	2,500,000	2,553,575
North Carolina Housing Finance Agency, Home Ownership Revenue	5.88	7/1/31	2,605,000	2,306,832
Ohio 4.1%				
Cuyahoga County, Hospital Facilities Revenue (UHHS/CSAHS-Cuyahoga, Inc. and CSAHS/UHHS-Canton, Inc. Project)	7.50	1/1/30	3,500,000	3,547,215
Cuyahoga County, Hospital Improvement Revenue (The Metrohealth Systems Project)	6.15	2/15/09	8,115,000 [a]	8,274,054
Port of Greater Cincinnati Development Authority, Tax Increment Development Revenue (Fairfax Village Red Bank Infrastructure Project)	5.63	2/1/36	2,530,000	1,732,519
Oklahoma 1.6%				
Oklahoma Development Finance Authority, Revenue (Saint John Health System)	6.00	2/15/29	2,250,000	2,122,943
Oklahoma Industries Authority, Health System Revenue (Obligated Group) (Insured; MBIA, Inc.)	5.75	8/15/09	2,895,000 [a]	3,018,819
Pennsylvania 2.9%				
Allegheny County Port Authority, Special Transportation Revenue (Insured; MBIA, Inc.)	6.13	3/1/09	4,750,000 [a]	4,859,487

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Pennsylvania (continued)				
Pennsylvania Economic Development Financing Authority, SWDR (USG Corporation Project)	6.00	6/1/31	7,000,000	4,399,150
Pennsylvania Housing Finance Agency, Multi-Family Development Revenue	8.25	12/15/19	221,000	221,290
South Carolina 3.9%				
Greenville Hospital System, Hospital Facilities Revenue (Insured; AMBAC)	5.50	5/1/26	7,000,000	6,621,230
Richland County, EIR (International Paper Company Project)	6.10	4/1/23	8,500,000	6,085,235

Tennessee 4.8%				
Johnson City Health and Educational Facilities Board, Hospital First Mortgage Revenue (Mountain States Health Alliance)	7.50	7/1/12	2,000,000 [a]	2,385,140
Johnson City Health and Educational Facilities Board, Hospital First Mortgage Revenue (Mountain States Health Alliance)	7.50	7/1/12	4,875,000 [a]	5,417,782
Knox County Health, Educational and Housing Facility Board, Revenue (University Health System, Inc.)	5.25	4/1/36	3,650,000	2,443,492
Memphis Center City Revenue Finance Corporation, Sports Facility Revenue (Memphis Redbirds Baseball Foundation Project)	6.50	9/1/28	6,000,000	4,166,940
Tennessee Housing Development Agency, Homeownership Program Revenue	6.00	1/1/28	1,340,000	1,355,102
Texas 31.6%				
Brazos River Authority, PCR (TXU Electric Company Project)	8.25	5/1/33	3,000,000	2,156,370

STATEMENT OF INVESTMENTS *(continued)*

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Texas (continued)				
Brazos River Harbor Navigation District, Revenue (The Dow Chemical Company Project)	5.13	5/15/33	7,300,000	4,903,191
Cities of Dallas and Fort Worth, Dallas/Fort Worth International Airport, Facility Improvement Corporation Revenue (Learjet Inc. Project)	6.15	1/1/16	3,000,000	2,488,470
Gregg County Health Facilities Development Corporation, HR (Good Shepherd Medical Center Project) (Insured; Radian)	6.38	10/1/10	2,500,000 [a]	2,729,675

Gulf Coast Industrial Development Authority, Environmental Facilities Revenue (Microgy Holdings Project)	7.00	12/1/36	5,000,000	3,484,450
Harris County Health Facilities Development Corporation, HR (Memorial Hermann Healthcare System)	6.38	6/1/11	7,000,000 [a]	7,756,560
Harris County Health Facilities Development Corporation, HR (Memorial Hermann Healthcare System)	7.25	12/1/35	9,290,000	9,365,621
Harris County Hospital District, Senior Lien Revenue (Insured; MBIA, Inc.)	5.25	2/15/42	5,000,000	4,121,300
Harris County-Houston Sports Authority, Third Lien Revenue (Insured; MBIA, Inc.)	0.00	11/15/31	9,685,000 [b]	1,697,199
Katy Independent School District, Unlimited Tax School Building Bonds (Permanent School Fund Guarantee Program)	6.13	2/15/09	10,000,000 [a]	10,108,900
Lubbock Housing Financing Corporation, SFMR (Collateralized: FNMA and GNMA)	6.70	10/1/30	900,000	912,051

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Texas (continued)				
North Texas Tollway Authority, First Tier System Revenue	5.75	1/1/40	14,705,000	12,436,313
North Texas Tollway Authority, Second Tier System Revenue	5.75	1/1/38	6,650,000	5,551,154
Sabine River Authority, PCR (TXU Electric Company Project)	6.45	6/1/21	4,900,000	3,155,453
Texas (Veterans Land)	6.00	12/1/30	3,935,000	3,658,684
Texas, GO (Veterans Housing Assistance Program) (Collateralized; FHA)	6.10	6/1/31	8,510,000	8,119,987
Texas Department of Housing and Community Affairs, Home Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	2.85	7/2/24	1,000,000 [d]	870,720

Texas Department of Housing and Community Affairs, Residential Mortgage Revenue (Collateralized: FHLMC, FNMA and GNMA)	5.35	7/1/33	5,110,000	4,168,023
Texas Turnpike Authority, Central Texas Turnpike System Revenue (Insured; AMBAC)	5.25	8/15/42	5,375,000	4,528,814
Tomball Hospital Authority, Revenue (Tomball Regional Hospital)	6.00	7/1/25	4,650,000	3,949,013
Tyler Health Facilities Development Corporation, HR, Refunding and Improvement Bonds (East Texas Medical Center Regional Healthcare System Project)	5.25	11/1/32	6,915,000	4,572,544
Willacy County Local Government Corporation, Project Revenue	6.88	9/1/28	4,000,000	3,217,880

STATEMENT OF INVESTMENTS *(continued)*

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Virginia 4.8%				
Henrico County Industrial Development Authority, Revenue (Bon Secours Health System) (Insured; FSA)	8.84	8/23/27	7,450,000 [d]	7,443,742
Virginia Housing Development Authority, Rental Housing Revenue	6.20	8/1/24	8,520,000	8,302,825
Washington 5.0%				
Washington Health Care Facilities Authority, Mortgage Revenue (Highline Medical Center) (Collateralized; FHA)	6.25	8/1/36	6,000,000	5,841,600
Washington Higher Educational Facilities Authority, Revenue (Whitman College)	5.88	10/1/09	10,000,000 [a]	10,397,500
Wisconsin 8.1%				
Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	6.13	6/1/27	8,360,000	7,942,585
Badger Tobacco Asset				

Securitization Corporation,				
Tobacco Settlement				
Asset-Backed Bonds	7.00	6/1/28	14,570,000	14,341,834
Wisconsin Health and Educational				
Facilities Authority, Revenue				
(Aurora Health Care, Inc.)	6.40	4/15/33	5,500,000	4,691,940
Total Long-Term Municipal Investments				
(cost $563,973,642)				**489,764,641**

Short-Term Municipal Investments 6.1%	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
Colorado 1.7%				
Denver City and County,				
Airport System Revenue,				
Refunding (Insured; MBIA, Inc.				
and Liquidity Facility; Bank One)	8.00	12/7/08	5,500,000 [f]	5,500,000
Florida 2.9%				
Florida Municipal Power Agency,				
Revenue, Refunding				
(All-Requirements Power Supply				
Project) (LOC; Bank of America)	0.90	12/1/08	9,300,000 [f]	9,300,000
New York 1.5%				
Monroe County,				
RAN	6.50	4/15/09	5,000,000	5,037,950
Total Short-Term Municipal Investments				
(cost $19,800,000)				**19,837,950**

Total Investments (cost $583,773,642)	**155.4%**	**509,602,591**
Cash and Receivables (Net)	**1.3%**	**4,276,264**
Preferred Stock, at redemption value	**(56.7%)**	**(186,000,000)**
Net Assets Applicable to Common Shareholders	**100.0%**	**327,878,855**

a These securities are prerefunded; the date shown represents the prerefunded date. Bonds which are prerefunded are collateralized by U.S. Government securities which are held in escrow and are used to pay principal and interest on the municipal issue and to retire the bonds in full at the earliest refunding date.

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

c 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, 2008, these securities amounted to $11,719,651 or 3.6% of net assets applicable to Common Shareholders.

d Inverse floater security the interest rate is subject to change periodically.

e Collateral for floating rate borrowings.

f Variable rate demand note rate shown is the interest rate in effect at November 30, 2008. Maturity date represents the next demand date, or the ultimate maturity date if earlier.

g At November 30, 2008, the fund had $94,317,506 or 28.8% of net assets applicable to Common Shareholders invested in securities whose payment of principal and interest is dependent upon revenues generated from health care projects.

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	**BIGI**	Bond Investors Guaranty Insurance
BPA	Bond Purchase Agreement	**CGIC**	Capital Guaranty Insurance Company
CIC	Continental Insurance Company	**CIFG**	CDC Ixis Financial Guaranty
CMAC	Capital Market Assurance Corporation	**COP**	Certificate of Participation
CP	Commercial Paper	**EDR**	Economic Development Revenue
EIR	Environmental Improvement Revenue	**FGIC**	Financial Guaranty Insurance Company
FHA	Federal Housing Administration	**FHLB**	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation	**FNMA**	Federal National Mortgage Association
FSA	Financial Security Assurance	**GAN**	Grant Anticipation Notes
GIC	Guaranteed Investment Contract	**GNMA**	Government National Mortgage Association
GO	General Obligation	**HR**	Hospital Revenue
IDB	Industrial Development Board	**IDC**	Industrial Development Corporation
IDR	Industrial Development Revenue	**LOC**	Letter of Credit
LOR	Limited Obligation Revenue	**LR**	Lease Revenue
MFHR	Multi-Family Housing Revenue	**MFMR**	Multi-Family Mortgage Revenue
PCR	Pollution Control Revenue	**PILOT**	Payment in Lieu of Taxes
RAC	Revenue Anticipation Certificates	**RAN**	Revenue Anticipation Notes
RAW	Revenue Anticipation Warrants	**RRR**	Resources Recovery Revenue
SAAN	State Aid Anticipation Notes	**SBPA**	Standby Bond Purchase Agreement
SFHR	Single Family Housing Revenue	**SFMR**	Single Family Mortgage Revenue
SONYMA	State of New York Mortgage Agency	**SWDR**	Solid Waste Disposal Revenue
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	22.8
AA		Aa		AA	16.9
A		A		A	23.4
BBB		Baa		BBB	19.1

BB	Ba	BB	3.6
B	B	B	3.9
CCC	Caa	CCC	.3
F1	MIG1/P1	SP1/A1	2.1
Not Rated[h]	Not Rated[h]	Not Rated[h]	7.9
			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.

STATEMENT OF ASSETS AND LIABILITIES

November 30, 2008

	Cost	Value
Assets ($):		
Investments in securities See Statement of Investments	583,773,642	509,602,591
Interest receivable		9,893,932
Prepaid expenses		23,717
		519,520,240
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates Note 3 (a)		284,460
Cash overdraft due to Custodian		132,434
Payable for floating rate notes issued Note 4		5,000,000
Interest and expense payable related to floating rate notes issued Note 4		36,744
Dividends payable to Preferred Shareholders		24,524
Commissions payable		8,890
Accrued expenses and other liabilities		154,333
		5,641,385
Auction Preferred Stock, Series A, B and C, par value $.001 per share (7,440 shares issued and outstanding at $25,000 per share liquidation value) Note 1		186,000,000
Net Assets applicable to Common Shareholders ($)		**327,878,855**
Composition of Net Assets ($):		
Common Stock, par value, $.001 per share (48,495,729 shares issued and outstanding)		48,496
Paid-in capital		436,239,202
Accumulated undistributed investment income net		867,628

Accumulated net realized gain (loss) on investments	(35,105,420)
Accumulated net unrealized appreciation (depreciation) on investments	(74,171,051)
Net Assets applicable to Common Shareholders ($)	**327,878,855**
Common Shares Outstanding	
(110 million shares of $.001 par value Common Stock authorized)	48,495,729
Net Asset Value, per share of Common Stock ($)	**6.76**

See notes to financial statements.

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STATEMENT OF OPERATIONS

Year Ended November 30, 2008

Investment Income ($):	
Interest Income	**35,849,974**
Expenses:	
Investment advisory fee Note 3(a)	2,880,829
Administration fee Note 3(a)	1,440,415
Commission fees Note 1	492,589
Interest and expense related to floating rate notes issued Note 4	459,169
Professional fees	104,496
Shareholders reports	59,536
Directors fees and expenses Note 3(b)	52,441
Registration fees	41,641
Shareholder servicing costs	23,688
Custodian fees Note 3(a)	13,663
Interest expense Note 2	717
Miscellaneous	67,697
Total Expenses	**5,636,881**
Less reduction in investment advisory fee due to undertaking Note 3(a)	(576,166)
Less reduction in fees due to earnings credits Note 1(b)	(3,867)
Net Expenses	**5,056,848**
Investment Income Net	**30,793,126**
Realized and Unrealized Gain (Loss) on Investments Note 4 ($):	
Net realized gain (loss) on investments	(8,063,407)
Net realized gain (loss) on options transactions	119,594
Net realized gain (loss) on financial futures	326,743
Net Realized Gain (Loss)	**(7,617,070)**
Net unrealized appreciation (depreciation) on investments	(83,043,081)
Net Realized and Unrealized Gain (Loss) on Investments	**(90,660,151)**
Dividends to Preferred Shareholders	**(6,735,329)**

Net (Decrease) in Net Assets Resulting from Operations	**(66,602,354)**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended November 30,	
	2008	2007
Operations ($):		
Investment income net	30,793,126	30,270,973
Net realized gain (loss) on investments	(7,617,070)	(1,701,613)
Net unrealized appreciation (depreciation) on investments	(83,043,081)	(26,819,891)
Dividends to Preferred Shareholders	(6,735,329)	(6,818,806)
Net Increase (Decrease) in Net Assets Resulting from Operations	**(66,602,354)**	**(5,069,337)**
Dividends to Common Shareholders from ($):		
Investment income net	**(22,696,002)**	**(24,269,212)**
Capital Stock Transactions ($):		
Dividends reinvested Note 1(c)		1,916,979
Total Increase (Decrease) in Net Assets	**(89,298,356)**	**(27,421,570)**
Net Assets ($):		
Beginning of Period	417,177,211	444,598,781
End of Period	**327,878,855**	**417,177,211**
Undistributed (distributions in excess of) investment income net	867,628	(410,667)
Capital Share Transactions (Common Shares):		
Increase in Common Shares Outstanding as a Result of Dividends Reinvested		**210,887**

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, with respect to common stock and market price data for the fund s common shares.

	Year Ended November 30,				
	2008	2007	2006	2005	2004
Per Share Data ($):					
Net asset value, beginning of period	8.60	9.21	8.88	8.79	8.90
Investment Operations:					
Investment income net[a]	.63	.62	.64	.63	.61
Net realized and unrealized					
gain (loss) on investments	(1.86)	(.59)	.34	.13	(.06)
Dividends to Preferred Shareholders					
from investment income net	(.14)	(.14)	(.13)	(.08)	(.05)
Total from Investment Operations	(1.37)	(.11)	.85	.68	.50
Distributions to Common Shareholders:					
Dividends from investment income net	(.47)	(.50)	(.52)	(.59)	(.61)
Net asset value, end of period	6.76	8.60	9.21	8.88	8.79
Market value, end of period	5.53	7.77	9.29	8.16	8.41
Total Return (%)[b]	(24.12)	(1.17)	9.94	3.78	2.48
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net					
assets applicable to Common Stock[c]	1.44	1.43	1.38	1.26	1.26
Ratio of net expenses to average net					
assets applicable to Common Stock[c]	1.30	1.28	1.24	1.12	1.25
Ratio of net investment income to average					
net assets applicable to Common Stock[c]	7.89	7.01	7.16	6.98	6.96
Ratio of total expenses to total					
average net assets	.98	1.00	.97	.88	.88
Ratio of net expenses to total					
average net assets	.88	.90	.87	.78	.86
Ratio of net investment income					
to total average net assets	5.34	4.90	5.01	4.88	4.84
Portfolio Turnover Rate	53.01	55.89	57.12	44.20	39.94
Asset coverage of Preferred Stock,					
end of period	276	324	339	330	328
Net Assets, net of Preferred Stock,					
end of period ($ x 1,000)	327,879	417,177	444,599	428,466	423,556
Preferred Stock outstanding,					
end of period ($ x 1,000)	186,000	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 Stock shareholders.*

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 Significant Accounting Policies:

Dreyfus Strategic Municipal Bond Fund, Inc. (the fund) is registered under the Investment Company Act of 1940, as amended (the Act), as a diversified closed-end management investment company. The fund s investment objective is to maximize current income exempt from federal income tax to the extent believed by the fund s investment adviser to be consistent with the preservation of capital. The Dreyfus Corporation (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. PFPC Global Fund Services (PFPC), a subsidiary of PNC Bank (PNC), serves as the fund s transfer agent, dividend-paying agent, registrar and plan agent. The fund s Common Stock trades on the New York Stock Exchange under the ticker symbol DSM.

Effective July 1, 2008, BNY Mellon has reorganized and consolidated a number of its banking and trust company subsidiaries. As a result of the reorganization, any services previously provided to the fund by Mellon Bank, N.A. or Mellon Trust of New England, N.A. are now provided by The Bank of New York, which has changed its name to The Bank of New York Mellon.

The fund has outstanding 2,480 shares of Series A, Series B and Series C for a total of 7,440 shares of Auction Preferred Stock (APS), with a liquidation preference of $25,000 per share (plus an amount equal to accumulated but unpaid dividends upon liquidation).APS dividend rates are determined pursuant to periodic auctions. Deutsche Bank Trust Company Americas, as Auction Agent, receives a fee from the fund for its services in connection with such auctions.The fund also compensates broker-dealers generally at an annual rate of .25% of the purchase price of the shares of APS placed by the broker-dealer in an auction.

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

The holders of the APS, voting as a separate class, have the right to elect at least two directors.The holders of the APS 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.

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

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

(a) Portfolio valuation: Investments in municipal debt securities are valued on the last business day of each week and month by an independent pricing service (the Service) 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 fund adopted Statement of Financial Accounting Standards No. 157 FairValue Measurements (FAS 157). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements.

Various inputs are used in determining the value of the fund s investments relating to FAS 157.These inputs are summarized in the three broad levels listed below.

Level 1 quoted prices in active markets for identical securities.
Level 2 other significant observable inputs (including quoted prices for similar securities, 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, 2008 in valuing the fund s investments carried at fair value:

Valuation Inputs	Investments in Securities ($)	Other Financial Instruments ($)
Level 1 Quoted Prices	0	0
Level 2 Other Significant Observable Inputs	509,602,591	0
Level 3 Significant Unobservable Inputs	0	0
Total	**509,602,591**	**0**

Other financial instruments include derivative instruments, such as futures, forward currency exchange contracts and swap contracts, which are valued at the unrealized appreciation (depreciation) on the instrument.

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

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

(c) Dividends to shareholders of Common Stock (Common 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 U.S. generally accepted accounting principles.

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

On November 26, 2008, the Board of Directors declared a cash dividend of $.0385 per share from investment income-net, payable on December 31, 2008 to Common Shareholders of record as of the close of business on December 12, 2008.

(d) Dividends to Shareholders of APS: Dividends, which are cumulative, are generally reset every 7 days for each Series of APS pursuant to a process specified in related fund charter documents. Dividend rates as of November 30, 2008 for each Series of APS were as follows: Series A 1.61%, Series B 1.60% and Series C 1.57% .These rates reflect the maximum rates under the governing instruments as a result of failed auctions in which sufficient clearing bids are not received.

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

The fund adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the fund s tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Liability for tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year.The adoption of FIN 48 had no impact on the operations of the fund for the period ended November 30, 2008.

As of and during the period ended November 30, 2008, the fund did not have any liabilities for any unrecognized tax positions. The fund recognizes interest and penalties, if any, related to unrecognized 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, 2008 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At November 30, 2008, the components of accumulated earnings on a tax basis were as follows: undistributed tax-exempt income $1,210,368, accumulated capital losses $33,078,109 and unrealized depreciation $74,046,569. In addition, the fund had $2,151,793 of capital losses realized after October 31, 2008 which were deferred for tax purposes to the first day of the following fiscal year.

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, 2008. If not applied, $442,201 of the carryover expires in fiscal 2009, $9,253,314 expires in fiscal 2010, $5,474,907 expires in fiscal 2011, $10,957,023 expires in fiscal 2012, $1,427,978 expires in fiscal 2015 and $5,522,686 expires in fiscal 2016.

The tax character of distributions paid to shareholders during the fiscal periods ended November 30, 2008 and November 30, 2007 were as follows: tax exempt income $29,424,853 and $31,046,354 and ordinary income $6,478 and $41,664, respectively.

During the period ended November 30, 2008, 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 $83,500, increased net realized gain (loss) on investments by $2,356,822 and decreased paid-in capital by $2,273,322. Net assets and net asset value per share were not affected by this reclassification.

NOTE 2 Bank Lines of Credit:

Prior to May 1, 2008, the fund participated with other Dreyfus managed funds in a $100 million unsecured line of credit. Effective May 1, 2008, the fund participates with other Dreyfus-managed funds in a $300 million unsecured line of credit primarily to be utilized for temporary or emergency purposes, including the financing of redemptions.The terms of the line of credit agreement limit the amount of individual fund borrowings. Interest is charged to the fund based on prevailing market rates in effect at the time of borrowing. Effective October 15, 2008, the $300 million unsecured line of credit was terminated.

The average daily amount of borrowings outstanding under the lines of credit during the period ended November 30, 2008, was approximately $28,900, with a related weighted average annualized interest rate of 2.48% .

NOTE 3 Investment Advisory Fee, Administration Fee and Other Transactions With Affiliates:

(a) The fee payable by the fund, pursuant to the provisions of an Investment Advisory Agreement with Dreyfus, is payable monthly based on an annual rate of .50% of 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 PFPC. The fund pays in the aggregate for administration, custody and transfer agency services a monthly fee based on an annual rate of .25% of 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 through October 31, 2009, 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 $576,166 during the period ended November 30, 2008.

The fund compensates The Bank of NewYork 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, 2008, the fund was charged $13,663 for out of pocket and custody transaction expenses, pursuant to the custody agreement.

During the period ended November 30, 2008, the fund was charged $6,086 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 $319,962, custodian fees $4,694 and chief compliance officer fees $2,466, which are offset against an expense reimbursement currently in effect in the amount of $42,662.

(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 4 Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, options transactions and financial futures during the period ended November 30, 2008, amounted to $304,898,554 and $317,895,821, respectively.

The fund may invest in financial futures contracts in order to gain exposure to or protect against changes in the market.The fund is exposed to market risk as a result of changes in the value of the underlying financial instruments. Investments in financial futures require the fund to mark to market on a daily basis, which reflects the change in the market value of the contract at the close of each day s trading.Accordingly, variation margin payments are received or made to reflect daily unrealized gains or losses.When the contracts are closed, the fund recognizes a realized gain or loss.These investments require initial margin deposits with a broker, which consist of cash or cash equivalents.The amount of these deposits is determined by the exchange or Board of Trade on which the contract is traded and is subject to change.At November 30, 2008, there were no open financial futures contracts outstanding.

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

The fund accounts for the transfer of bonds to the trusts as secured borrowings, with the securities transferred remaining in the fund s investments, and the related floating rate certificate securities reflected as fund liabilities under the caption, Payable for floating rate notes issued in the Statement of Assets and Liabilities.

The average daily amount of borrowings outstanding under the inverse floater structure during the period ended November 30, 2008, was approximately $15,583,300, with a related weighted average annualized interest rate of 2.95% .

At November 30, 2008, the cost of investments for federal income tax purposes was $578,649,160; accordingly, accumulated net unrealized depreciation on investments was $74,046,569, consisting of $9,784,816 gross unrealized appreciation and $83,831,385, gross unrealized depreciation.

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

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, 2008, and the related statement of operations for the year then ended, the statement of changes in net assets for eac