

DREYFUS STRATEGIC MUNICIPALS INC  
Form N-30D  
June 05, 2001

Dreyfus Strategic Municipals, Inc.

SEMIANNUAL REPORT March 31, 2001

(reg.tm)

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 herein are current to the date of this report. These views and the composition of the fund's portfolio are subject to change at any time based on market and other conditions.

\* Not FDIC-Insured \* Not Bank-Guaranteed \* May Lose Value

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The Fund

Dreyfus Strategic Municipals, Inc.

LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Strategic Municipals, Inc., covering the six-month period from October 1, 2000 through March 31, 2001. 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, Paul Disdier.

Municipal bonds generally provided attractive returns over the six-month reporting period. Slowing economic growth and lower short-term interest rates helped boost the value of tax-exempt bonds, as did robust demand from investors fleeing the uncertainty of a falling stock market. In fact, the overall stock market, as measured by the Standard & Poor's 500 Composite Stock Price Index, declined more than 18%, approaching bear market territory.

In our view, these divergent results indicate that investors who diversified their portfolios fared well compared to those who have focused solely on one type of investment, such as equities. We believe that a diversified investment approach can continue to serve investors well, which is why we continually stress the importance of diversification, a basic tenet of investing.

We encourage you to contact your financial advisor for more information about ways to refine your investment strategies in the current environment.

Thank you for your continued confidence and support.

Sincerely,

Stephen E. Canter

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President and Chief Investment Officer  
The Dreyfus Corporation  
April 16, 2001

### DISCUSSION OF FUND PERFORMANCE

Paul Disdier, Portfolio Manager

How did Dreyfus Strategic Municipals, Inc. perform during the period?

For the six-month period ended March 31, 2001, the fund produced a 7.52% total return.(1) During the period, the fund provided income dividends of \$0.2760 per share, which is equal to an annualized distribution rate of 5.90% over the same period.(2)

We attribute the fund's total return to a favorable investment environment that was characterized by declining interest rates and robust demand for municipal bonds.

What is the fund's investment approach?

The fund seeks high current federally tax-exempt income from a diversified portfolio of long-term municipal bonds.

To this end, we currently have constructed a 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.

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 what we believe are comparable securities. When we believe an opportunity exists, we also seek 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 will look to sell bonds that are close to redemption or maturity.

What other factors influenced the fund's performance?

When the reporting period began on October 1, 2000, evidence had emerged that the previous rate hikes implemented by the Federal Reserve Board (the "Fed") were having the desired effect of slowing

The Fund

### DISCUSSION OF FUND PERFORMANCE (CONTINUED)

the economy. As time went on, the economic slowdown became more pronounced. News of slower retail sales, workforce layoffs, lower stock prices and declining consumer confidence was exacerbated by the uncertainty surrounding the presidential election. As a result, municipal bond yields declined modestly, even though the Fed did not change interest rates at its meetings in October, November and December.

In January 2001, however, the Fed moved aggressively to stimulate economic growth by cutting interest rates by 50 basis points at the start of the month. As further evidence of its resolve to prevent a recession, the Fed cut interest rates by another 50 basis points at its scheduled meetings at the end of January and again in March. Yields of tax-exempt bonds continued to move lower in this new environment.

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Part of the municipal bond market's strong price performance during the reporting period was the result of a scarcity of newly issued bonds amid robust demand from investors fleeing a declining stock market. During the first quarter of 2001, however, the supply of new municipal bond issues began to build after an anemic year of new issuance in 2000. States and municipalities have issued more bonds because of lower borrowing costs and, in some cases, because economic weakness has threatened to reduce tax revenues. Fortunately, investor demand for these new issues has been sufficiently robust to keep yields from rising appreciably. These supply-and-demand influences caused municipal bond yields to decline less than those of comparable taxable securities. We also generally maintained a long maturity structure, helping us to lock in then current yields as interest rates fell.

From a securities selection perspective, we replaced maturing or called bonds with new securities that we considered good values, such as bonds from South Carolina and Washington, D.C. that are backed by litigation settlements with the nation's tobacco companies. We also found attractive income-oriented bonds issued by airlines, health care facilities and certain utilities. However, the fund held no bonds issued

by California's troubled electric utilities during the reporting period. In addition, declining interest rates benefited the fund because of commensurately lower yields on the fund's auction-rate preferred notes, which were issued in January 2000.

What is the fund's current strategy?

We have maintained our emphasis on generating as high a level of current income as we deem appropriate under current market conditions. As a result, we have recently sold lower yielding bonds as well as bonds that are nearing the dates on which they can be redeemed early by their issuers. In addition, because of the possibility of lower federal income-tax rates, we have generally avoided bonds with income that may be subject to Federal Alternative Minimum Tax provisions.

April 16, 2001

(1) TOTAL RETURN INCLUDES REINVESTMENT OF DIVIDENDS AND ANY CAPITAL GAINS PAID, BASED UPON NET ASSET VALUE PER SHARE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. INCOME MAY BE SUBJECT TO STATE AND LOCAL TAXES, AND SOME INCOME MAY BE SUBJECT TO THE FEDERAL ALTERNATIVE MINIMUM TAX (AMT) FOR CERTAIN INVESTORS. CAPITAL GAINS, IF ANY, ARE FULLY TAXABLE.

(2) DISTRIBUTION RATE PER SHARE IS BASED UPON DIVIDENDS PER SHARE PAID FROM NET INVESTMENT INCOME DURING THE PERIOD ANNUALIZED, DIVIDED BY THE MARKET PRICE PER SHARE AT THE END OF THE PERIOD.

The Fund

STATEMENT OF INVESTMENTS

March 31, 2001 (Unaudited)

STATEMENT OF INVESTMENTS

LONG-TERM MUNICIPAL INVESTMENTS--97.4%

Prin  
Amount

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ALABAMA--1.6%

Alabama Industrial Development Authority,

SWDR (Pine City Fiber Co.)

6.45%, 12/1/2023 (Guaranteed; Boise Cascade Corp.)

5,0

Houston County Health Care Authority

6.25%, 10/1/2030 (Insured; AMBAC)

8,0

ALASKA--1.1%

Alaska Housing Finance Corp.:

6%, 12/1/2040

2,0

6%, 6/1/2049 (Insured; MBIA)

7,2

ARKANSAS--1.9%

Arkansas Development Finance Authority, SFMR

(Mortgage Backed Securities Program):

6.45%, 7/1/2031 (Guaranteed; GNMA, FNMA)

10,0

6.25%, 1/1/2032 (Guaranteed; GNMA)

5,0

ARIZONA--3.9%

Apache County Industrial Development Authority, PCR

(Tucson Electric Power Co. Project):

5.85%, 3/1/2028

5,0

5.875%, 3/1/2033

2,5

Maricopa Pollution Control Corp., PCR

(Public Service Co.) 5.75%, 11/1/2022

6,0

Pima County Industrial Development Authority,  
Industrial Revenue

(Tucson Electric Power Co. Project)

6%, 9/1/2029

15,5

Tempe Industrial Development Authority, IDR

(California Micro Devices Corp. Project)

10.50%, 3/1/2018

6,8

CALIFORNIA--2.5%

State of California 7.567%, 12/1/2018 (Insured; FSA)

10,0

Foothill / Eastern Corridor Agency, Toll Road Revenue

5.75%, 1/15/2040

6,0

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Los Angeles Regional Airports Improvement Corp., Lease Revenue (Los Angeles International Airport)		
6.35%, 11/1/2025		4,9
COLORADO--2.0%		
Bent County, COP (Medium Security Correctional Facility Project)		
9.50%, 7/15/2013		12,0
LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)		
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COLORADO (CONTINUED)		
Denver City and County, Airport Revenue:		
8%, 11/15/2025		3,6
8%, 11/15/2025 (Prerefunded 11/15/2001)		1,3
DISTRICT OF COLUMBIA--1.0%		
District of Columbia Tobacco Settlement Financing Corp., Asset Backed		
6.75%, 5/15/2040		8,0
FLORIDA--7.1%		
Escambia County, PCR (Champion International Corp. Project)		
6.90%, 8/1/2022		7,0
Florida Board of Education, Capital Outlay		
8.921%, 6/1/2019		20,0
Florida Housing Finance Corp., Housing Revenue (Nelson Park Apartments)		
6.40%, 3/1/2040 (Insured; FSA)		12,3
Highlands County Health Facilities Authority, HR (Adventist Health Systems)		
5.25%, 11/15/2028		8,0
Orange County Health Facilities Authority, HR (Regional Healthcare Systems)		
6%, 10/1/2026		2,0
Palm Beach County, Solid Waste IDR:		

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(Okeelanta Power Limited Partnership Project)		
6.70%, 2/15/2015		3,0
(Osceola Power Limited Partnership Project)		
6.95%, 1/1/2022		9,1
South Lake County Hospital District, Health, Hospital and Nursing Home Revenue (South Lake Hospital Inc.)		
5.80%, 10/1/2034		2,0
GEORGIA--2.2%		
Georgia Housing Finance Authority, SFMR 6.45%, 12/1/2030		7,4
Private Colleges and Universities Facilities Authority, Revenue		
(Clark Atlanta University Project)		
8.25%, 1/1/2015 (Prerefunded 1/1/2003)		9,2
STATEMENT OF INVESTMENTS (Unaudited) (CONTINUED)		
LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)		Pri Amou
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HAWAII--1.1%		
Hawaii Department of Transportation, Special Facility Revenue:		
(Caterair International Corp. Project) 10.125%, 12/1/2010		4,0
(Continental Airlines, Inc.) 5.625%, 11/15/2027		6,8
ILLINOIS--7.3%		
Chicago:		
6.125%, 1/1/2028 (Insured; FGIC)		15,8
(Wastewater Transmission Revenue)		
6%, 1/1/2030 (Insured; MBIA)		3,0
Chicago-O'Hare International Airport, Special Facility Revenue:		
(Delta Airlines Project) 6.45%, 5/1/2018		4,8
(United Airlines, Inc. Project):		
6.30%, 5/1/2016		4,0

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8.95%, 5/1/2018	7,2
Illinois Development Finance Authority, Revenue:	
(Community Rehabilitation Providers Facilities	
Acquisition Program) 6%, 7/1/2015	3,5
Hospital (AdventistHealth System / Sunbelt	
Obligated Group) 5.50%, 11/15/2029	5,0
Illinois Health Facilities Authority, Revenue:	
(Advocate Network Health Care)	
6.125%, 11/15/2022	4,0
(OSF Healthcare System)	
6.25%, 11/15/2029	8,7
(Swedish American Hospital)	
6.875%, 11/15/2030	5,0
INDIANA--3.3%	
Franklin Township Independent School Building Corp.,	
First Mortgage 6.125%, 1/15/2022	6,5
Indiana Housing Finance Authority, SFMR	
5.95%, 1/1/2029	3,8
Indianapolis Airport Authority:	
(United Airlines Project)	
6.50%, 11/15/2031	5,6
8.715%, 11/15/2031	12,0
KANSAS--1.2%	
Witchita, HR (Christian Health System Inc.)	
6.25%, 11/15/2024	10,0
LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)	Pri
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KENTUCKY--2.6%	
Kenton County Airport Board, Airport Revenue	
(Special Facilities-Delta Airlines Project):	
7.50%, 2/1/2020	10,0
6.125%, 2/1/2022	12,0
LOUISIANA--1.2%	



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Parish of Saint James, SWDR (Freeport-McMoRan Partnership Project) 7.70%, 10/1/2022	10,0
MARYLAND--.2%	
Baltimore County, PCR  (Bethlehem Steel Corp. Project) 7.50%, 6/1/2015	2,5
MASSACHUSETTS--1.0%	
Massachusetts Industrial Finance Agency, Revenue  (Ogden Haverhill Project) 5.60%, 12/1/2019	6,0
Massachusetts Health and Educational Facilities Authority,  Revenue (Beth Israel Hospital Issue)  7.457%, 7/1/2025 (Insured; AMBAC)	3,0
MICHIGAN--2.8%	
Michigan Hospital Finance Authority, HR  (Ascension Health Credit) 6.125%, 11/15/2026  (Genesys Health System Obligated Group)  8.125%, 10/1/2021 (Prerefunded 10/1/2005)	5,0  5,0
Michigan Strategic Fund, SWDR  (Genesee Power Station Project) 7.50%, 1/1/2021	7,0
Wayne Charter County, Special Airport Facilities Revenue  (Northwest Airlines, Inc.) 6.75%, 12/1/2015	5,6
MISSISSIPPI--3.2%	
Claiborne County, PCR (Middle South Energy, Inc.)  (System Energy Resources, Inc.) 6.20%, 2/1/2026	5,5
Mississippi Business Finance Corp., PCR (System Energy  Resource Inc. Project) 5.875%, 4/1/2022	22,7
MISSOURI-- .5%	
Saint Louis Industrial Development Authority, Revenue  (Saint Louis Convention Center) 7.25%, 12/15/2035	4,2
MONTANA--1.2%	
Montana Board of Housing, Single Family Mortgage  6.45%, 6/1/2029	9,9

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STATEMENT OF INVESTMENTS (Unaudited) (CONTINUED)

LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)

NEVADA--4.0%

Clark County, IDR:

(Nevada Power Company Project):

5.50%, 10/1/2030

5.60%, 10/1/2030

5.90%, 10/1/2030

(Southwest Gas Corp.) 7.50%, 9/1/2032

Washoe County (Reno-Sparks Convention Center)

6.40%, 7/1/2029 (Insured; FSA)

NEW HAMPSHIRE--3.7%

New Hampshire Industrial Development Authority, PCR:

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

(Public Service Co. Project):

7.65%, Series A, 5/1/2021

7.65%, Series C, 5/1/2021

New Hampshire Business Finance Authority, PCR, Revenue

(Public Service Co. Project) 6% 5/1/2021

NEW JERSEY--3.0%

New Jersey Economic Development Authority, Special Facility

Revenue (Continental Airlines Inc. Project) :

6.40%, 9/15/2023

6.25%, 9/15/2029

New Jersey Health Facilities Financing Authority, Revenue

(Christian Health Care Center) 8.75%, 7/1/2018

NEW MEXICO--.5%

Farmington, PCR (Tucson Electric Power Co., San Juan)

6.95%, 10/1/2020

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5,0

8,5

6,0

4,0

12,0

5,0

15,6

3,5

7,0

3,0

5,0

14,9

4,0

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NEW YORK--2.5%

Long Island Power Authority, New York  
Electric System Revenue

6.64% 12/1/2016 10,0

New York State Energy Research and Development Authority,

Electric Facilities Revenue (Long Island Lighting Co.):

7.15%, 2/1/2022 3,0

6.90%, 8/1/2022 3,2

TSASC, Inc., Tobacco Flexible Amortization Bonds

6.375%, 7/15/2039 4,5

NORTH CAROLINA--.5%

Charlotte, Special Facilities Revenue  
(Charlotte / Douglas International Airport)  
5.60%, 7/1/2027 (Guaranteed; U.S. Air)

6,0

LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)

Pri  
Amou

NORTH DAKOTA--1.7%

North Dakota Housing Finance Agency,  
Home Mortgage Revenue

(Housing Finance Program):

6.50%, 1/1/2031 10,0

6.15%, 7/1/2031 3,4

OHIO--2.1%

Ohio Air Quality Development Authority, PCR

6.10%, 8/1/2020 3,0

Ohio Housing Finance Agency,  
Residential Mortgage Revenue:

6.25%, 9/1/2020 (Collateralized; GNMA) 4,9

6.35%, 9/1/2031 (Collateralized; GNMA) 4,9

Ohio Water Development Authority, Pollution Control

Facilities Revenue (Cleveland Electric Co.)

6.10%, 8/1/2020 4,3

OKLAHOMA--1.5%

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Oklahoma Industries Authority

(Health System Obligated Group)  
5.75%, 8/15/2029

12,2

PENNSYLVANIA--2.4%

Beaver County Industrial Development Authority, PCR

(Cleveland Electric Project)  
7.625%, 5/1/2025

7,0

Lehigh County General Purpose Authority, Revenue  
(Wiley House) 9.50%, 11/1/2016  
(Prerefunded 11/1/2001)

3,0

Pennsylvania Housing Finance Agency, SFMR  
7.553%, 4/1/2025

6,0

York County Hospital Authority, Revenue

(Health Center--Lutheran Social Services)  
6.50%, 4/1/2022

4,2

SOUTH CAROLINA--2.3%

Piedmont Municipal Power Agency, Electric Revenue

6.55%, 1/1/2016

1,6

Spartanburg County, Hospital Facilities Revenue

(Spartanburg General Hospital System)

8.898%, 4/13/2022 (Prerefunded 4/15/2002)

7,7

Tobacco Settlement Revenue Management Authority,

Tobacco Settlement Revenue  
6.375%, 5/15/2028

10,0

STATEMENT OF INVESTMENTS (Unaudited) (CONTINUED)

LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)

Pri  
Amou

TENNESSEE--3.0%

Memphis Center City Revenue Finance Corp.,  
Tennessee Sports Facility Revenue  
(Memphis Redbirds) 6.50%, 9/1/2028

10,0

Tennessee Housing Development Agency  
(Homeownership Program) 6.40%, 7/1/2031

14,9

TEXAS--6.0%

Dallas-Fort Worth International Airport, Airport Facility

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Improvement Corp. Revenue (American Airlines Inc.)	
6.375%, 5/1/2035 (Guaranteed; American Airlines Inc.)	8,5
Harris County Health Facilities Development Corp., HR	
(Memorial Hermann Hospital System Project)	
5.25%, 6/1/2027 (Insured; FSA)	4,0
Houston Airport System, Special Facilities Revenue	
Airport Improvement (Continental Airlines):	
6.125%, 7/15/2027	8,1
5.70%, 7/15/2029	3,7
Port Corpus Christi Authority, Nueces County General	
Revenue (Union Pacific Corp.) 5.65%, 12/1/2022	7,7
Sabine River Authority, PCR (TXU Electric Project)	
6.45%, 6/1/2021	9,0
Texas Department of Housing and Community Affairs	
Collateralized Home Mortgage Revenue	
9.729%, 7/2/2024	5,5
Tomball Hospital Authority, Health, Hospital and	
Nursing Home Revenue (Tomball Regional Hospital)	
6%, 7/1/2025	3,5
Tyler Health Facilities Development Corp., HR	
(East Texas Medical Center Regional Health Care	
System Project) 6.75%, 11/1/2025	3,0
UTAH--.6%	
Carbon County, SWDR (Sunnyside Cogeneration):	
7.10%, 8/15/2023	4,9
Zero Coupon, 8/15/2024	1,5
VERMONT--.8%	
Vermont Housing Finance Agency,	
Single Family Housing	
6.40%, 11/1/2030 (Insured; FSA)	6,2
VIRGINIA--1.9%	
Fairfax County Water Authority, Revenue	
8.045%, 4/1/2029	5,0

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LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)	Pri	Amou
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VIRGINIA (CONTINUED)		
Greater Richmond Convention Center Authority, Hotel Tax Revenue (Convention Center Expansion Project)		
6.25%, 6/15/2032		10,5
WASHINGTON--1.7%		
Public Utility District No. 1 of Pend Orielle County, Electric Revenue 6.375%, 1/1/2015		3,7
Seattle, Water System Revenue 6%, 7/1/2029 (Insured; FGIC)		10,0
WEST VIRGINIA--4.1%		
Braxton County, SWDR (Weyerhaeuser Co. Project) :		
5.40%, 5/1/2025		12,8
6.125%, 4/1/2026		14,0
West Virginia Housing Development Fund, Housing Finance 6.50%, 5/1/2028		5,9
West Virginia Water Development Authority, Water Development Revenue 6.375%, 7/1/2039		2,2
WISCONSIN--3.9%		
Wisconsin Health and Educational Facilities Authority, Health, Hospital and Nursing Home Revenue (Aurora Health Care Inc.) 5.60%, 2/15/2029		9,7
Wisconsin Housing and Economic Development Authority, Homeownership Revenue:		
9.127%, 7/1/2025		10,0
6.45%, 9/1/2030		14,0
WYOMING--.5%		
Sweetwater County, SWDR (FMC Corp. Project):		
7%, 6/1/2024		2,2
6.90%, 9/1/2024		2,0

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U.S. RELATED--1.8%

Guam Housing Corp., SFMR

5.75%, 9/1/2031 (Collateralized; FHLMC)

8,2

Puerto Rico Highway and Transportation Authority,  
Transportation Revenue 6%, 7/1/2039

6,0

TOTAL LONG-TERM MUNICIPAL INVESTMENTS

(cost \$810,201,529)

STATEMENT OF INVESTMENTS (Unaudited) (CONTINUED)

SHORT-TERM MUNICIPAL INVESTMENTS--.9%

Pri  
Amou

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FLORIDA--.2%

Jacksonville Electric Authority, Electric System Revenue,

VRDN 3.95% (SBPA; Landesbank Thurgen)

1,5

MASSACHUSETTS--.5%

Massachusetts Health and Educational Facilities Authority,

Revenue, VRDN 3.70% (SBPA; State Street Bank

and Trust Co.) (Insured; MBIA)

2,1

Midland County Economic Development Corp., Limited

Obligation Revenue, VRDN (Dow Chemical Co.) 3.90%

2,4

NORTH CAROLINA--.0%

North Carolina Medical Care Commission, Revenue, VRDN

(Carol Woods Project) 3.75%

3

VIRGINIA--.2%

Roanoke Industrial Development Authority, HR, VRDN

(Roanoke Memorial Hospitals) 3.95%

1,3

TOTAL SHORT-TERM MUNICIPAL INVESTMENTS

(cost \$7,600,000)

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TOTAL INVESTMENTS

(cost \$817,801,529)

CASH AND RECEIVABLES (NET)

NET ASSETS

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### Summary of Abbreviations

AMBAC	American Municipal Bond Assurance Corporation
COP	Certificate of Participation
FGIC	Financial Guaranty Insurance Company
FNMA	Federal National Mortgage Association
FSA	Financial Security Assurance
GNMA	Government National Mortgage Association
HR	Hospital Revenue
IDR	Industrial Development Revenue
MBIA	Municipal Bond Investors Assurance Insurance Corporation
PCR	Pollution Control Revenue
SBPA	Standby Bond Purchase Agreement
SFMR	Single Family Mortgage Revenue
SWDR	Solid Waste Disposal Revenue
VRDN	Variable Rate Demand Notes

### Summary of Combined Ratings (Unaudited)

Fitch	or	Moody's	or	Standard & Poor's
AAA		Aaa		AAA
AA		Aa		AA
A		A		A
BBB		Baa		BBB
BB		Ba		BB
B		B		B
F1		Mig1		SP1
Not Rated (f)		Not Rated (f)		Not Rated (f)

(A) INVERSE FLOATER SECURITY-THE INTEREST RATE IS SUBJECT TO CHANGE PERIODICALLY.



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- (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 MARCH 31, 2001, THESE SECURITIES AMOUNTED TO \$68,971,900 OR 8.0% OF NET ASSETS.
- (C) 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.
- (D) NON-INCOME ACCRUING SECURITY.
- (E) SECURITIES PAYABLE ON DEMAND. VARIABLE RATE INTEREST--SUBJECT TO PERIODIC CHANGE.
- (F) 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.

### The Fund

#### STATEMENT OF ASSETS AND LIABILITIES

March 31, 2001 (Unaudited)

	Cost	Value
<hr/>		
ASSETS (\$):		
Investments in securities--See Statement of Investments	817,801,529	842,191,306
Interest receivable		15,978,546
Receivable for investment securities sold		998,896
Prepaid expenses		49,704
		<hr/> 859,218,452 <hr/>
LIABILITIES (\$):		
Due to The Dreyfus Corporation and affiliates		579,939
Cash overdraft due to Custodian		129,713
Payable for investment securities purchased		1,019,335
Dividends payable to preferred shareholders		135,201
Commissions payable		45,972
Accrued expenses		277,938
		<hr/> 2,188,098 <hr/>

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NET ASSETS (\$)	857,030,354
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COMPOSITION OF NET ASSETS (\$):

Auction Preferred Stock, Series M, T, W, TH and F par value \$.001 per share (11,400 shares issued and outstanding at \$25,000 per share liquidation preference)-Note 1	285,000,000
Common Stock par value, \$.001 per share (58,549,216 shares issued and outstanding)	58,549
Paid-in capital	551,890,239
Accumulated undistributed investment income--net	3,048,684
Accumulated net realized gain (loss) on investments	(7,356,895)
Accumulated net unrealized appreciation (depreciation) on investments--Note 4	24,389,777
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	572,030,354

NET ASSETS (\$)	857,030,354
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SHARES OUTSTANDING

(500 million shares of \$.001 par value Capital Stock authorized)	58,549,216
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NET ASSET VALUE PER SHARE OF COMMON STOCK (\$)	9.77
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SEE NOTES TO FINANCIAL STATEMENTS.

STATEMENT OF OPERATIONS

Six Months Ended March 31, 2001 (Unaudited)

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INVESTMENT INCOME (\$):

INTEREST INCOME	27,938,008
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EXPENSES:

Management fee--Note 3(a)	3,154,860
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Commission fees--Note 1	375,826
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Professional fees	143,752
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Shareholder servicing costs	79,712
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Custodian fees--Note 3(b)	67,456
---------------------------	--------

Shareholders' reports	55,540
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Directors' fees and expenses--Note 3(c)	36,571
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Registration fees	33,491
Miscellaneous	20,462
TOTAL EXPENSES	3,967,670
INVESTMENT INCOME--NET	23,970,338

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

Net realized gain (loss) on investments	2,823,389
Net unrealized appreciation (depreciation) on investments	18,018,838
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	20,842,227
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	44,812,565

SEE NOTES TO FINANCIAL STATEMENTS.

The Fund

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended March 31, 2001 (Unaudited)	Year Ended September 30, 2000
-----		
OPERATIONS (\$):		
Investment income--net	23,970,338	41,928,438
Net realized gain (loss) on investments	2,823,389	(10,047,493)
Net unrealized appreciation (depreciation) on investments	18,018,838	10,713,730
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	44,812,565	42,594,675

-----  
DIVIDENDS TO SHAREHOLDERS FROM (\$):

Investment income--net:		
Common Stock	(16,159,584)	(32,319,176)
Preferred Stock	(5,561,285)	(7,790,712)
Net realized gain on investments:		
Common Stock	--	(895,803)
TOTAL DIVIDENDS	(21,720,869)	(41,005,691)

-----  
CAPITAL STOCK TRANSACTIONS (\$):

Proceeds from issuance of Preferred Stock	--	285,000,000
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Offering costs charged to paid-in capital resulting from issuance of Preferred Stock	--	(3,405,309)
INCREASE (DECREASE) IN NET ASSETS FROM CAPITAL STOCK TRANSACTIONS	--	281,594,691
TOTAL INCREASE (DECREASE) IN NET ASSETS	23,091,696	283,183,675

NET ASSETS (\$):

Beginning of Period	833,938,658	550,754,983
END OF PERIOD	857,030,354	833,938,658
Undistributed investment income-net	3,048,684	799,617

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 distributions. These figures have been derived from the fund's financial statements and market price data for the fund's common shares.

	Six Months Ended March 31, 2001 (Unaudited)	2000	1999	Year En 1
PER SHARE DATA (\$):				
Net asset value, beginning of period	9.38	9.41	10.22	10
Investment Operations:				
Investment income--net	.41	.71	.56	
Net realized and unrealized gain (loss) on investments	.35	.02	(.80)	
Total from Investment Operations	.76	.73	(.24)	
Distributions:				
Dividends from investment income--net:				
Common Stock	(.28)	(.55)	(.57)	(
Preferred Stock	(.09)	(.13)	--	
Dividends from net realized gain on investments	--	(.02)	--	

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Total Distributions	(.37)	(.70)	(.57)	(
Capital Stock transactions, net effect of Preferred Stock offerings	--	(.06)	--	
Net asset value, end of period	9.77	9.38	9.41	10
Market Value, end of period	9.35	8 9/16	8	10 5
-----				
TOTAL RETURN (%) (a)	25.27(b)	14.76	(17.55)	3

FINANCIAL HIGHLIGHTS (CONTINUED)

	Six Months Ended March 31, 2001 (Unaudited)	2000	1999	Year
-----				
RATIOS/SUPPLEMENTAL DATA (%):				
Ratio of expenses to average net assets applicable to Common Stock	1.42 (b, c, d)	1.25 (c, d)	.84	
Ratio of net investment income to average net assets applicable to Common Stock	8.61 (b, c, d)	7.91 (c, d)	5.63	5
Portfolio Turnover Rate	5.48 (e)	19.03	27.05	20
Asset Coverage of Preferred Stock, end of period	301	295	--	
-----				
Net Assets, net of Preferred Stock, end of period (\$ x 1,000)	572,030	548,939	550,755	595,
Preferred Stock outstanding, end of period (\$ x 1,000)	285,000	285,000	--	

(A) CALCULATED BASED ON MARKET VALUE.

(B) ANNUALIZED.

(C) DOES NOT REFLECT THE EFFECT OF DIVIDENDS TO PREFERRED STOCK SHAREHOLDERS.

(D) THE RATIO OF EXPENSES TO TOTAL AVERAGE NET ASSETS AND THE RATIO OF NET INVESTMENT INCOME TO TOTAL AVERAGE NET ASSETS WERE .94% AND 5.70%, RESPECTIVELY, FOR THE SIX MONTHS ENDED MARCH 31, 2001 AND .92% AND 5.79%, RESPECTIVELY, FOR THE YEAR ENDED SEPTEMBER 30, 2000.

(E) NOT ANNUALIZED.

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SEE NOTES TO FINANCIAL STATEMENTS.

### NOTES TO FINANCIAL STATEMENTS (Unaudited)

#### NOTE 1--Significant Accounting Policies:

Dreyfus Strategic Municipals, Inc. (the "fund") is registered under the Investment Company Act of 1940 as amended (the "Act"), as a diversified closed-end management investment company. The fund's investment objective is to maximize current income exempt from Federal income tax to the extent consistent with the preservation of capital. The Dreyfus Corporation (the "Manager") serves as the fund's investment adviser. The Manager is a direct subsidiary of Mellon Bank, N.A., which is a wholly-owned subsidiary of Mellon Financial Corporation. The fund's Common Stock trades on the New York Stock Exchange under the ticker symbol LEO.

The fund has outstanding 2,280 shares of Series M, Series T, Series W, Series TH and Series F Auction Preferred Stock ("APS"), each with a liquidation preference of \$25,000 per share (plus an amount equal to accumulated but unpaid dividends upon liquidation). APS dividends rates are determined pursuant to periodic auctions. Banker's Trust Company, as Auction Agent, receives a fee from the fund for its services in connection with such auctions. The fund also compensates broker-dealers generally at an annual rate of .25% of the purchase price of the shares of APS placed by the broker-dealer in an auction.

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

The holders of the APS, voting as a separate class, have the right to elect at least two directors. The holders of the APS will vote as a separate class on certain other matters, as required by law. The fund has designated Robin R. Pringle and John E. Zuccotti to represent holders of APS on the fund's Board of Directors.

The fund's financial statements are prepared in accordance with accounting principles generally accepted in the United States, which

The Fund

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

may require the use of management estimates and assumptions. Actual results could differ from those estimates.

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

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and financial futures on municipal and U.S. Treasury securities are valued at the last sales price on the securities exchange on which such securities are primarily traded or at the last sales price on the national securities market on the last business day of each week and month. Investments not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices. Bid price is used when no asked price is available.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Interest income, adjusted for amortization of premiums and original issue discounts 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.

In November 2000 the American Institute of Certified Public Accountants ("AICPA") issued a revised version of the AICPA Audit and Accounting Guide for Investment Companies (the "Guide"). The revised version of the Guide is effective for financial statements issued for fiscal years beginning after December 15, 2000. One of the new provisions in the Guide requires investment companies to amortize market discount on municipal securities which the fund does not currently do. Upon adoption, the fund will be required to record a cumulative effect adjustment to conform with accounting principles generally accepted in the United States. The effect of this adjustment will be to increase accumulated net investment income with an offsetting decrease to accumulated unrealized appreciation (depreciation) on securities. This adjustment will therefore, have no effect on the net assets of the fund.

(c) Dividends to shareholders of Common Stock ("Common Shareholders(s)"): Dividends are recorded on the ex-dividend date. Dividends from investment income-net are declared and paid monthly. Dividends from net realized capital gain are normally declared and paid at least annually. To the extent that net realized capital gain can be offset by capital loss carryovers, if any, it is the policy of the fund not to distribute such gain.

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

The Fund

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

mencing on the payable date and reinvest those shares accordingly. As a result of purchasing fund shares in the open market, fund shares outstanding will not be affected by this form of reinvestment.

On March 31, 2001, the Board of Directors declared a cash dividend of \$.046 per share from investment income-net, payable on April 27, 2001 to Common Shareholders of record as of the close of business on April 12, 2001.

(d) Dividends to shareholders of APS: For APS, dividends are currently reset every 7 days. The dividend rate in effect at March 31, 2001 were as follows:

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Series M-3.25% , Series T-3.35% , Series W-3.40% , Series TH-3.40% and Series F-3.20%.

(e) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, which can distribute tax exempt dividends, by complying with the applicable provisions of the Internal Revenue Code of 1986, as amended and to make distributions of income and net realized capital gain sufficient to relieve it from substantially all Federal income and excise taxes

### NOTE 2--Bank Line of Credit:

The fund participates with other Dreyfus-managed funds in a \$100 million unsecured line of credit primarily to be utilized for temporary or emergency purposes, including the financing of redemptions. Interest is charged to the fund based on prevailing market rates in effect at the time of borrowings. During the period ended March 31, 2001, the fund did not borrow under the line of credit.

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

(a) Pursuant to a management agreement ("Agreement") with the Manager, the management fee is computed at the annual rate of .75 of 1% of the value of the fund's average weekly net assets and is payable monthly fees. The Agreement provides for an expense reimbursement from the Manager should the fund's aggregate expenses, exclusive of taxes, interest on borrowings, brokerage and extraordinary expenses, in any full fiscal year exceed the lesser of (1) the expense limitation of any state having jurisdiction over the fund or (2) 2% of the first \$10 million, 1<sup>1</sup>/<sub>2</sub>% of the next \$20 million and 1% of the excess over \$30 million of the average value of the fund's net assets. During the period ended March 31, 2001, there was no expense reimbursement pursuant to the agreement.

(b) The fund compensates Boston Safe Deposit and Trust Company, an affiliate of the Manager, under a custody agreement for providing custodial services to the fund. During the period ended March 31, 2001, \$67,456 was charged by Boston Safe Deposit and Trust Company pursuant to the custody agreement.

(c) Each director who is not an "affiliated person" as defined in the Act receives from the fund an annual fee of \$4,500 and an attendance fee of \$500 per meeting. The Chairman of the Board receives an additional 25% of such compensation and the Director Emeritus receives 50% of such compensation.

### NOTE 4--Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended March 31, 2001, amounted to \$45,321,496 and \$54,150,315, respectively.

At March 31, 2001, accumulated net unrealized appreciation on investments was \$24,389,777, consisting of \$40,533,340 gross unrealized appreciation and \$16,143,563 gross unrealized depreciation.

At March 31, 2001, the cost of investments for Federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

The Fund

NOTES

OFFICERS AND DIRECTORS



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Dreyfus Strategic Municipals, Inc.

200 Park Avenue  
New York, NY 10166

DIRECTORS

Joseph S. DiMartino  
David W. Burke  
Hodding Carter, III  
Ehud Houminer  
Richard C. Leone  
Hans C. Mautner  
Robin R. Pringle(\*)  
John E. Zuccotti(\*)  
\* AUCTION PREFERRED STOCK DIRECTORS

OFFICERS

President  
Stephen E. Canter

Vice President  
Mark N. Jacobs

Vice President and Treasurer  
Joseph Connolly

Executive Vice President  
Paul Disdier

Secretary  
John B. Hammalian

Assistant Secretary  
Steven F. Newman

Assistant Treasurer  
Gregory S. Gruber

PORTFOLIO MANAGERS:

Joseph P. Darcy  
A. Paul Disdier  
Douglas J. Gaylor  
Joseph A. Irace  
Colleen A. Meehan

PORTFOLIO MANAGERS (CONTINUED)

Richard J. Moynihan  
W. Michael Petty  
Scott Sprauer  
Samuel J. Weinstock  
Monica S. Wieboldt

INVESTMENT ADVISER

The Dreyfus Corporation

CUSTODIAN

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Boston Safe Deposit  
and Trust Company

COUNSEL

Stroock & Stroock & Lavan LLP

TRANSFER AGENT, DIVIDEND DISBURSING AGENT AND REGISTRAR

The Bank of New York (Common Stock)  
Bankers Trust (Auction Preferred Stock)

AUCTION AGENT

Bankers Trust (Auction Preferred Stock)

STOCK EXCHANGE LISTING

NYSE Symbol: LEO

INITIAL SEC EFFECTIVE DATE

9/23/87

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

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

The Fund

For More Information

Dreyfus Strategic Municipals, Inc.  
200 Park Avenue  
New York, NY 10166

Manager

The Dreyfus Corporation  
200 Park Avenue  
New York, NY 10166

Custodian

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

Transfer Agent &  
Dividend Disbursing Agent  
and Registrar  
(Common Stock)

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The Bank of New York  
101 Barclay Street  
New York, NY 10286

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