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DREYFUS STRATEGIC MUNICIPALS INC

Form N-CSR

November 26, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

Investment Company Act file number 811-5245

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

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

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

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

Date of fiscal year end: September 30

Date of reporting period: September 30, 2003

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FORM N-CSR

ITEM 1. REPORTS TO STOCKHOLDERS.

Dreyfus Strategic  
Municipals, Inc.  
ANNUAL REPORT September 30, 2003

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

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

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

THE FUND COLLECTS INFORMATION IN ORDER TO SERVICE AND ADMINISTER YOUR ACCOUNT. The Fund collects a variety of nonpublic personal information, which may include:

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

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

THANK YOU FOR THIS OPPORTUNITY TO SERVE YOU.

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

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

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The Fund

Dreyfus  
Strategic Municipals, Inc.

### LETTER FROM THE CHAIRMAN

Dear Shareholder:

This annual report for Dreyfus Strategic Municipals, Inc. covers the 12-month period from October 1, 2002, through September 30, 2003. Inside, you'll find valuable information about how the fund was managed during the reporting period, including a discussion with the fund's portfolio manager, W. Michael Petty.

After a prolonged period of sluggish growth, the U.S. economy has shown signs of sustainable improvement. However, investor uncertainty regarding the strength of the recovery has produced heightened volatility in the tax-exempt fixed-income market. After most areas of the municipal bond market experienced sharp declines during the summer, prices generally bounced back in September.

Despite recent reductions in federal tax rates, we believe that municipal bonds may become more attractive to certain investors if states and municipalities continue to raise taxes to balance their budgets. As always, we encourage you to talk with your financial advisor about ways to enjoy the benefits of tax-exempt municipal bonds as market conditions evolve.

Thank you for your continued confidence and support.

Sincerely,

Stephen E. Canter  
Chairman and Chief Executive Officer  
The Dreyfus Corporation

October 15, 2003

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### DISCUSSION OF FUND PERFORMANCE

W. Michael Petty, Portfolio Manager

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

For the 12-month period ended September 30, 2003, the fund achieved a total return of 5.49%. (1) Over the same period, the fund provided income dividends of \$0.7200 per share, which is equal to a distribution rate of 7.68%. (2)

We attribute the fund's performance primarily to falling interest rates during the first nine months of the reporting period and the recovery of certain corporate-backed holdings that bounced back strongly from depressed price levels. In addition, the fund performed well during the summer of 2003, when our efforts to improve its overall credit quality proved beneficial during a brief but intense period of heightened market volatility.

What is the fund's investment approach?

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

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

Over time, many of the fund's relatively higher-yielding bonds mature or are redeemed by their issuers, and we generally attempt to replace them with securities at then-prevailing yields, which may be lower. The Fun

### DISCUSSION OF FUND PERFORMANCE (CONTINUED)

than the rates of the securities which mature or are redeemed. When we believe an opportunity exists, we also may seek to upgrade the portfolio's investments with newly issued bonds that, in our opinion, have better structural or income characteristics than existing holdings.

What other factors influenced the fund's performance?

The fund was influenced by general market trends, including declining interest rates during the first half of the reporting period and heightened market volatility as investor sentiment shifted in the second half of the reporting period.

When the reporting period began, the nation was mired in economic weakness as 2002's corporate scandals, a persistently declining stock market and rising geopolitical tensions took their toll on business and consumer spending. Investors generally remained risk averse in this unsettled climate, which hurt prices of riskier assets, such as stocks and lower-rated corporate-backed bonds. Some of the fund's corporate-backed holdings, including tax-exempt bonds issued by financially troubled airlines, were hit particularly hard, hindering the

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fund's returns.

Toward the end of 2002, after the Federal Reserve Board (the "Fed") reduced short-term interest rates by 50 basis points, investors apparently began to grow more comfortable with credit risk, and the prices of corporate-backed bonds bounced back strongly. We took advantage of the rally to reduce the fund's corporate exposure, and by the end of the reporting period the fund's airline-related holdings were limited to small positions in two major carriers. As a result, the fund's overall average credit rating improved from the top of the single-A range to the bottom of the double-A range.

The fund also benefited from its average duration, which we maintained for much of the reporting period in a range we considered slightly longer than average. Despite rising expectations of stronger economic growth, interest rates continued to decline during the spring of 2003 as investors anticipated another rate-cut by the Fed, which

occurred in late June. The fund's longer than average duration enabled it to lock in higher then-prevailing yields for a longer time and capture the benefits of capital appreciation while interest rates fell.

The fund also received good results from its leveraging strategy. In February 2003, we extended the term of one series of the fund's auction-rate preferred notes to two years, locking in low borrowing costs on money used to purchase additional securities.

What is the fund's current strategy?

During the summer of 2003, we adopted a more defensive posture by reducing the fund's average duration to a range we consider slightly shorter than average. In addition, we continued our efforts to improve the fund's overall credit quality. These measures helped the fund during a sharp market reversal in July, when the municipal bond market suffered the worst one-month decline in its history. The market's volatility was caused by investors' reactions to stronger than expected economic data, which raised concerns that inflationary pressures might reemerge. The bond market bounced back at a more moderate pace in late August and September, erasing most of July's losses.

In addition, when making new purchases, we recently have focused on income-oriented securities with maturities in the 10- to 15-year range. We believe that these relatively defensive securities should hold more of their intrinsic value if interest rates begin to rise and bond prices decline.

October 15, 2003

(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. MARKET PRICE PER SHARE, NET ASSET VALUE PER SHARE AND INVESTMENT RETURN FLUCTUATE. INCOME MAY BE SUBJECT TO STATE AND LOCAL TAXES, AND SOME INCOME MAY BE SUBJECT TO THE FEDERAL ALTERNATIVE MINIMUM TAX (AMT) FOR CERTAIN INVESTORS. CAPITAL GAINS, IF ANY, ARE FULLY TAXABLE.

(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

SELECTED INFORMATION

September 30, 2003 (Unaudited)

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Market Price per share September 30, 2003                   \$9.38  
 Shares Outstanding September 30, 2003                   60,168,726  
 New York Stock Exchange Ticker Symbol                   LEO

### MARKET PRICE (NEW YORK STOCK EXCHANGE)

	Fiscal Year Ended September 30, 2003		
	QUARTER ENDED DECEMBER 31, 2002	QUARTER ENDED MARCH 31, 2003	QUARTER ENDED JUNE 30, 2003
High	\$10.17	\$9.73	\$10.27
Low	8.92	9.30	9.51
Close	9.70	9.56	10.03

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

September 23, 1987 (commencement of operations) through September 30, 2003	200.70%
October 1, 1993 through September 30, 2003	67.07
October 1, 1998 through September 30, 2003	27.69
October 1, 2002 through September 30, 2003	0.33
January 1, 2003 through September 30, 2003	2.56
April 1, 2003 through September 30, 2003	2.03
July 1, 2003 through September 30, 2003	(4.58)

### NET ASSET VALUE PER SHARE

September 23, 1987 (commencement of operations)	\$9.32
September 30, 2002	9.37
December 31, 2002	9.21
March 31, 2003	9.02
June 30, 2003	9.30
September 30, 2003	9.14

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

September 23, 1987 (commencement of operations) through September 30, 2003	214.36%
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October 1, 1993 through September 30, 2003	73.66
October 1, 1998 through September 30, 2003	25.55
October 1, 2002 through September 30, 2003	5.49
January 1, 2003 through September 30, 2003	5.25
April 1, 2003 through September 30, 2003	5.37
July 1, 2003 through September 30, 2003	0.27

\* WITH DIVIDENDS REINVESTED.

STATEMENT OF INVESTMENTS

September 30, 2003

	Pri	Amo
LONG-TERM MUNICIPAL INVESTMENTS--146.1%		
-----		
ALABAMA--5.6%		
Houston County Health Care Authority		
6.25%, 10/1/2030 (Insured; AMBAC)		8,0
Jefferson County, Sewer Revenue:		
5.25%, 2/1/2023 (Insured; FGIC) (Prerefunded 8/1/2012)		5,0
5%, 2/1/2041 (Insured; FGIC) (Prerefunded 8/1/2012)		14,1
ALASKA--.8%		
Alaska Housing Finance Corp.		
6%, 6/1/2049 (Insured; MBIA)		4,0
ARKANSAS--3.1%		
Arkansas Development Finance Authority, SFMR		
(Mortgage Backed Securities Program):		
6.45%, 7/1/2031 (Guaranteed; GNMA, FNMA)		5,5
6.25%, 1/1/2032 (Guaranteed; GNMA)		4,6
Little Rock School District		
5.25%, 2/1/2030 (Insured; FSA)		6,0
ARIZONA--6.6%		

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Apache County Industrial Development Authority, PCR	
(Tucson Electric Power Co. Project) 5.85%, 3/1/2028	1,4
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	13,6
Scottsdale Industrial Development Authority, HR	
(Scottsdale Healthcare) 5.80%, 12/1/2031	6,0
Tempe Industrial Development Authority, IDR (California Micro Devices Corp. Project) 10.50%, 3/1/2018	6,5
Tucson, Water System Revenue	
5%, 7/1/2021 (Insured; FGIC)	3,5
CALIFORNIA--9.6%	
California Infrastructure and Economic Development Bank, Revenue (Bay Area Toll Bridges)	
5.25%, 7/1/2017 (Insured; FSA)	12,3
California Pollution Control Financing Authority, PCR	
(Southern California Edison Co.) 7%, 2/28/2008	5,0
State of California 9.569%, 12/1/2018 (Insured; FSA)	10,0
STATEMENT OF INVESTMENTS (CONTINUED)	
LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)	Pri Amo
-----	
CALIFORNIA (CONTINUED)	
California Department of Water Resource Power Supply, Revenue 5.50%, 5/1/2013 (Insured; AMBAC)	11,0
Los Angeles Unified School District	
5.25%, 7/1/2020 (Insured; FSA)	7,2
Oakland 5%, 1/15/2026 (Insured; MBIA)	2,9
COLORADO--1.8%	
Denver City and County, Special Facilities Airport	



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Revenue (United Airlines Project) 6.875%, 10/1/2032	6,9
Northwest Parkway Public Highway Authority,	
Revenue 7.125%, 6/15/2041	6,7
DELAWARE--1.3%	
Delaware Transportation Authority,	
Transportation System Revenue	
5%, 7/1/2019 (Insured; AMBAC)	6,8
FLORIDA--2.8%	
Florida Housing Finance Corp., Housing Revenue	
(Nelson Park Apartments)	
6.40%, 3/1/2040 (Insured; FSA)	12,3
Orange County Health Facility Authority, HR	
(Regional Healthcare Systems) 6%, 10/1/2026	2,0
GEORGIA--.9%	
Georgia Housing Finance Authority,	
SFMR 6.45%, 12/1/2030	5
Private Colleges and Universities	
Facilities Authority Revenue (Clark Atlanta	
University Project) 8.25%, 1/1/2015	4,1
HAWAII--.6%	
Hawaii Department of Transportation, Special	
Facility Revenue (Caterair International	
Corp. Project) 10.125%, 12/1/2010	3,5
IDAHO--.6%	
Power County Industrial Development Corp, SWDR	
(FMC Corp. Project) 6.45%, 8/1/2032	3,2
ILLINOIS--7.3%	
Chicago:	
6.125%, 1/1/2028 (Insured; FGIC)	15,8
(Wastewater Transmission Revenue)	
6%, 1/1/2030 (Insured; MBIA) (Prerefunded 1/1/2010)	3,0
LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)	Pri
	Amo

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ILLINOIS (CONTINUED)

Chicago-O'Hare International Airport, Special  
Facility Revenue (United Airlines,  
Inc. Project) 6.75%, 11/1/2011 2,0

Illinois Health Facilities Authority, Revenue:

(Advocate Network Health Care)  
6.125%, 11/15/2022 4,0

(OSF Healthcare System)  
6.25%, 11/15/2029 7,7

(Swedish American Hospital) 6.875%, 11/15/2030 4,9

INDIANA--2.0%

Franklin Township Independent  
School Building Corp., First Mortgage  
6.125%, 1/15/2022 (Prerefunded 7/15/2010) 6,5

Indiana Housing Finance Authority, SFMR 5.95%, 1/1/2029 2,7

KANSAS--4.9%

Kansas Development Finance Authority, Revenue:

(Board of Regents-Scientific Resource)  
5%, 10/1/2021 (Insured; AMBAC) 5,2

Health Facility (Sisters of Charity) 6.25%, 12/1/2028 3,0

Wyandotte County (Kansas University School

District No. 500) 5.25%, 9/1/2015 (Insured; FSA) 6,4

Wichita, HR (Christian Health System Inc.)

6.25%, 11/15/2024 10,0

LOUISIANA--1.4%

Parish of Saint James, SWDR (Freeport-McMoRan

Partnership Project) 7.70%, 10/1/2022 8,5

MAINE--.6%

Maine Housing Authority, Mortgage 5.30%, 11/15/2023 3,3

MARYLAND--1.5%

Baltimore County, PCR

(Bethlehem Steel Corp. Project) 7.50%, 6/1/2015 2,5

Maryland Economic Development Corp., Student

Housing Revenue (University of Maryland):

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6.50%, 6/1/2027	3,0
5.75%, 10/1/2033	5,0
MASSACHUSETTS--4.2%	
Massachusetts Industrial Finance Agency, Revenue	
(Ogden Haverhill Project) 5.60%, 12/1/2019	6,0

STATEMENT OF INVESTMENTS (CONTINUED)

LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)

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MASSACHUSETTS (CONTINUED)

Massachusetts Health and Educational	
Facilities Authority, Revenue:	
(Civic Investments) 9%, 12/15/2015	2,0
(Beth Israel Hospital Issue)	
10.732%, 7/1/2025 (Insured; AMBAC)	3,0
(Partners Healthcare System)	
5.75%, 7/1/2032	5,0
(Harvard University Issue)	
6%, 7/1/2035 (Prerefunded 7/1/2010)	5,8

MICHIGAN--5.0%

Michigan Hospital Finance Authority, HR:	
(Ascension Health Credit)	
6.125%, 11/15/2026 (Prerefunded 11/15/2009)	5,0
(Crittenton Hospital) 5.625%, 3/1/2027	2,0
(Genesys Health System Obligated Group)	
8.125%, 10/1/2021 (Prerefunded 10/1/2005)	5,0
Michigan State Building Authority, Revenue	
5.25%, 10/15/2013 (Insured; FSA)	3,0
Michigan Strategic Fund, Resource Recovery Limited	
Obligation Revenue (Detroit Edison Co.)	
5.25%, 12/15/2032	3,0

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Michigan Strategic Fund, SWDR

(Genesee Power Station Project) 7.50%, 1/1/2021

7,1

MINNESOTA--2.3%

Duluth Economic Development Authority, Health

Care Facilities Revenue (Saint Luke's

Hospital) 7.25%, 6/15/2032

5,0

Minnesota Housing Finance Agency, Residential

Housing Finance 5%, 1/1/2020

4,5

Saint Paul Port Authority, Hotel Facility, Revenue

(Radisson Kellogg Project) 7.375%, 8/1/2029

3,0

MISSISSIPPI--3.4%

Claiborne County, PCR (Middle South Energy, Inc.)

(System Energy Resources, Inc.) 6.20%, 2/1/2026

4,5

Mississippi Business Finance Corp., PCR (System Energy

Resource Inc. Project) 5.875%, 4/1/2022

14,3

MISSOURI--3.3%

Missouri Health and Educational Facilities Authority,

Health Facilities Revenue (Saint Anthony's

Medical Center) 6.25%, 12/1/2030

6,7

LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)

Pri  
Amo

MISSOURI (CONTINUED)

Missouri Development Finance Board, Infrastructure

Facilities Revenue (Branson):

5.375%, 12/1/2027

2,0

5.50%, 12/1/2032

4,5

Saint Louis Industrial Development Authority, Revenue

(Saint Louis Convention Center) 7.25%, 12/15/2035

4,2

MONTANA--1.1%

Montana Board of Housing, Single Family Mortgage

6.45%, 6/1/2029

5,7

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NEVADA--2.6%

Washoe County (Reno-Sparks Convention Center)

6.40%, 7/1/2029 (Insured; FSA)  
(Prerefunded 1/1/2010)

12,0

NEW HAMPSHIRE--2.7%

New Hampshire Business Finance Authority, PCR

(Public Service Co. of New Hampshire)

6%, 5/1/2021 (Insured; AMBAC)

7,0

New Hampshire Health and Educational Facilities Authority,

Revenue (Exeter Project):

6%, 10/1/2024

1,0

5.75%, 10/1/2031

1,0

New Hampshire Industrial Development Authority, PCR

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

5,0

NEW JERSEY--7.5%

New Jersey Transportation Trust Fund Authority,

Transportation System:

5.50%, 6/15/2015

10,0

5.50%, 6/15/2017

9,0

New Jersey Health Facilities Financing Authority, Revenue

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

(Prerefunded 7/1/2006)

13,7

Tobacco Settlement Financing Corp.

7%, 6/1/2041

4,0

NEW MEXICO--1.8%

Farmington, PCR:

(El Paso Electric Co. Project)

6.375%, 6/1/2032

5,3

(Tucson Electric Power Co., San Juan)

6.95%, 10/1/2020

4,0

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### STATEMENT OF INVESTMENTS (CONTINUED)

#### LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)

NEW YORK--7.9%

Long Island Power Authority, New York Electric  
System Revenue 8.999%, 12/1/2016

Pri  
Amo

10,0

New York

5.75%, 8/1/2011 (Insured; MBIA)

8,4

New York City Municipal Water Finance Authority, Water

and Sewer System Revenue 5.125%, 6/15/2032

5,0

Tobacco Settlement Financing Corp.:

5.50%, 6/1/2019

5,5

5.25%, 6/1/2021 (Insured; AMBAC)

5,0

Triborough Bridge & Tunnel Authority, Revenue

5.25%, 11/15/2030

5,2

NORTH DAKOTA--2.0%

North Dakota Housing Finance Agency, Home  
Mortgage Revenue (Housing Finance Program):

6.50%, 1/1/2031

7,1

6.15%, 7/1/2031

2,9

OHIO--3.9%

Cuyahoga County, Revenue 6%, 1/1/2032

2,0

Mahoning County, Hospital Facilities Revenue

(Forum Health Obligation Group) 6%, 11/15/2032

7,0

Ohio Air Quality Development Authority, PCR

(Cleveland Electric Illuminating)

6.10%, 8/1/2020 (Insured; ACA)

3,0

Ohio Housing Finance Agency,  
Residential Mortgage Revenue:

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

2,0

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

2,0

Ohio Water Development Authority, Pollution Control

Facilities Revenue (Cleveland Electric

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Illuminating) 6.10%, 8/1/2020 (Insured; ACA)	4,3
OKLAHOMA--2.4%	
Oklahoma Industries Authority	
(Health System Obligated Group)	
5.75%, 8/15/2029	12,2
OREGON--3.3%	
Port of Portland, International Airport Revenue	
(Portland International Airport)	
5.50%, 7/1/2024 (Insured; AMBAC)	5,0
Tigard--Tualatin School District No. 23	
5.375%, 6/15/2019 (Insured; MBIA)	3,0
LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)	Pri Amo
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OREGON (CONTINUED)	
Western Generation Agency, Cogeneration Project	
Revenue (Wauna Cogeneration Project):	
7.40%, 1/1/2016	5,7
7.125%, 1/1/2021	3,4
PENNSYLVANIA--1.8%	
Pennsylvania Housing Financing Authority	
10.980%, 4/1/2025	5,7
York County Hospital Authority, Revenue (Health Center--Lutheran Social Services) 6.50%, 4/1/2022	4,2
SOUTH CAROLINA--2.6%	
Greenville Hospital System, Hospital Facilities Revenue	
5.50%, 5/1/2026 (Insured; AMBAC)	5,0
Greenville County School District , Installment Purchase Revenue (Building Equity Sooner for Tomorrow) 5.50%, 12/1/2028	3,5
Piedmont Municipal Power Agency, Electric Revenue	
6.55%, 1/1/2016	1,6
Tobacco Settlement Revenue Management Authority,	

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Tobacco Settlement Revenue	6.375%, 5/15/2030	4,4
TENNESSEE--5.7%		
Johnson City Health and Educational		
Facilities Board, HR	7.50%, 7/1/2025	5,0
Knox County Health Educational and Housing Facilities		
Board, Hospital Facilities Revenue (Baptist Health		
System of Eastern Tennessee)	6.50%, 4/15/2031	4,9
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	10,1
TEXAS--13.3%		
Austin Convention Enterprises Inc., Convention Center		
Hotel Revenue:		
	5.75%, 1/1/2016	5,2
	6.70%, 1/1/2028	4,0
	5.75%, 1/1/2032	6,5
	6.70%, 1/1/2032	3,5
Harris County Health Facilities Development Corp., HR		
(Memorial Hermann Hospital System Project)		
	6.375%, 6/1/2029	8,5

STATEMENT OF INVESTMENTS (CONTINUED)

LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)

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TEXAS (CONTINUED)

Houston Airport System, Special Facilities Revenue		
(Continental Airlines):		
	6.75%, 7/1/2029	5,2
	7%, 7/1/2029	3,8
Sabine River Authority, PCR (TXU Electric Co. Project)		
	6.45%, 6/1/2021	8,3



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Sam Rayburn Municipal Power Agency, Power Supply	
System Revenue 5.75%, 10/1/2021	6,0
Texas Department of Housing and Community Affairs, Collateralized Home Mortgage Revenue 12.623%, 7/2/2024	3,2
Texas Turnpike Authority, Central Texas Turnpike System Revenue 5.75%, 8/15/2038 (Insured; AMBAC)	7,1
Tomball Hospital Authority, HR (Tomball Regional Hospital)	
6%, 7/1/2025	4,0
6%, 7/1/2029	2,8
Tyler Health Facilities Development Corp., HR  (East Texas Medical Center Regional Health Care System Project) 6.75%, 11/1/2025	3,0
UTAH--.8%	
Carbon County, SWDR (Sunnyside Cogeneration)	
7.10%, 8/15/2023	4,3
VERMONT--1.0%	
Vermont Housing Finance Agency, Single Family Housing	
6.40%, 11/1/2030 (Insured; FSA)	5,3
VIRGINIA--2.1%	
Greater Richmond Convention Center Authority,	
Hotel Tax Revenue (Convention Center Expansion Project) 6.25%, 6/15/2032	10,5
WASHINGTON--3.3%	
Energy Northwest, Wind Project Revenue 5.875%, 7/1/2020	3,0
LONG-TERM MUNICIPAL INVESTMENTS (CONTINUED)	Pri Amo
-----	
WASHINGTON (CONTINUED)	
Public Utility District No. 1 of Pend Orielle County,	
Electric Revenue 6.375%, 1/1/2015	3,7
Seattle, Water System Revenue	

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6%, 7/1/2029 (Insured; FGIC)	10,0
WEST VIRGINIA--3.0%	
Braxton County, SWDR (Weyerhaeuser Co. Project)	
6.125%, 4/1/2026	14,0
West Virginia Water Development Authority, Water	
Development Revenue 6.375%, 7/1/2039	2,2
WISCONSIN--5.3%	
Badger Tobacco Asset Securitization Corp., Tobacco	
Settlement Revenue 7%, 6/1/2028	24,0
Wisconsin Health and Educational Facilities Authority,	
Health, Hospital and Nursing Home Revenue	
(Aurora Health Care Inc.) :	
5.60%, 2/15/2029	2,8
6.40%, 4/15/2033	3,0
Wisconsin Housing and Economic Development Authority	
11.558%, 7/1/2025	5
WYOMING--.9%	
Sweetwater County, SWDR (FMC Corp. Project):	
7%, 6/1/2024	3,1
6.90%, 9/1/2024	2,0
U.S. RELATED--1.5%	
Guam Housing Corp., SFMR	
5.75%, 9/1/2031 (Collateralized; FHLMC)	9
Puerto Rico Highway and Transportation	
Authority, Transportation Revenue	
6%, 7/1/2039 (Prerefunded 7/1/2010)	6,0
TOTAL LONG-TERM MUNICIPAL INVESTMENTS	
(cost \$769,373,168)	

STATEMENT OF INVESTMENTS (CONTINUED)

SHORT-TERM MUNICIPAL INVESTMENTS--3.4%	Pri
	Amo

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ALASKA--2.0%

Valdez, Marine Terminal Revenue, VRDN

(Exxon Mobil Pipeline Co. Project) 1.10%

11,2

RHODE ISLAND--.3%

Rhode Island State Industrial Facilities Corp.,

Marine Terminal Revenue,

VRDN (Exxon Mobil Project) 1.10%

1,7

TEXAS--1.1%

Gulf Coast Waste Disposal Authority, PCR, VRDN

(Amoco Oil Co. Project) 1.10%

6

Lower Neches Valley Authority Industrial

Development Corp., Exempt Facilities Revenue,

VRDN (Exxon Mobil Project) 1.10%

5,3

TOTAL SHORT-TERM MUNICIPAL INVESTMENTS

(cost \$18,800,000)

-----  
TOTAL INVESTMENTS (cost \$788,173,168)

CASH AND RECEIVABLES (NET)

PREFERRED STOCK, AT REDEMPTION VALUE

(

NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS

Summary of Abbreviations

ACA	American Capital Access
AMBAC	American Municipal Bond Assurance Corporation
FGIC	Financial Guaranty Insurance Company
FHLMC	Federal Home Loan Mortgage Corporation
FNMA	Federal National Mortgage Association
FSA	Financial Security Assurance
GNMA	Government National Mortgage Association

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HR	Hospital Revenue
IDR	Industrial Development Revenue
MBIA	Municipal Bond Investors Assurance Insurance Corporation
PCR	Pollution Control Revenue
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
CC		Ca		CC
F1		Mig1		SP1
Not Rated (f)		Not Rated (f)		Not Rated (f)

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

(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 SEPTEMBER 30, 2003, THESE SECURITIES AMOUNTED TO \$22,781,160 OR 4.1% OF NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS.

(D) NON-INCOME PRODUCING SECURITY--INTEREST PAYMENT IN DEFAULT.

(E) SECURITIES PAYABLE ON DEMAND. VARIABLE INTEREST RATE--SUBJECT TO PERIODIC CHANGE.

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(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

September 30, 2003

	Cost	Value
-----		
ASSETS (\$):		
Investments in securities--See Statement of Investments	788,173,168	821,550,890
Interest receivable		13,980,103
Receivable for investment securities sold		7,373,280
Prepaid expenses		514,159
		843,418,432
-----		
LIABILITIES (\$):		
Due to The Dreyfus Corporation and affiliates		507,312
Cash overdraft due to Custodian		482,287
Payable for investment securities purchased		7,185,781
Dividends payable to preferred shareholders		269,783
Commissions payable		15,000
Accrued expenses		282,216
		8,742,379
-----		
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
-----		
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS (\$)		549,676,053
-----		
COMPOSITION OF NET ASSETS (\$):		
Common Stock, par value \$.001 per share (60,168,726 shares issued and outstanding)		60,169

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Paid-in capital	567,361,060
Accumulated undistributed investment income--net	5,444,760
Accumulated net realized gain (loss) on investments	(56,567,658)
Accumulated net unrealized appreciation (depreciation) on investments	33,377,722
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS (\$)	549,676,053

---

### SHARES OUTSTANDING

(500 million shares of \$.001 par value Common Stock authorized)	60,168,726
NET ASSET VALUE PER SHARE OF COMMON STOCK (\$)	9.14

SEE NOTES TO FINANCIAL STATEMENTS.

### STATEMENT OF OPERATIONS

Year Ended September 30, 2003

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#### INVESTMENT INCOME (\$):

INTEREST INCOME	50,254,717
-----------------	------------

#### EXPENSES:

Management fee--Note 3(a)	6,208,824
Commission fee--Note 1	744,946
Shareholder servicing costs	143,224
Custodian fees--Note 3(b)	140,593
Shareholders' reports	102,641
Professional fees	79,646
Directors' fees and expenses--Note 3(c)	64,506
Registration fees	54,879
Miscellaneous	60,580
TOTAL EXPENSES	7,599,839
INVESTMENT INCOME--NET	42,654,878

---

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

Net realized gain (loss) on investments	(27,557,602)
Net unrealized appreciation (depreciation) on investments	18,445,537

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NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	(9,112,065)
DIVIDENDS ON PREFERRED STOCK	(4,235,015)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	29,307,798

SEE NOTES TO FINANCIAL STATEMENTS.

### The Fund

#### STATEMENT OF CHANGES IN NET ASSETS

	Year Ended September 30,	
	2003	2002
<b>OPERATIONS (\$):</b>		
Investment income--net	42,654,878	47,823,496
Net realized gain (loss) on investments	(27,557,602)	(18,783,774)
Net unrealized appreciation (depreciation) on investments	18,445,537	(2,508,827)
Dividends on Preferred Stock	(4,235,015)	(4,821,324)
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>29,307,798</b>	<b>21,709,571</b>
<b>DIVIDENDS TO COMMON SHAREHOLDERS FROM (\$):</b>		
INVESTMENT INCOME--NET	(42,956,922)	(39,168,624)
<b>CAPITAL STOCK TRANSACTIONS (\$):</b>		
DIVIDENDS REINVESTED	8,567,990	6,491,435
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	<b>(5,081,134)</b>	<b>(10,967,618)</b>
<b>NET ASSETS (\$):</b>		
Beginning of Period	554,757,187	565,724,805
END OF PERIOD	549,676,053	554,757,187
Undistributed investment income--net	5,444,760	10,145,155
<b>CAPITAL SHARE TRANSACTIONS (SHARES):</b>		
SHARES ISSUED FOR DIVIDENDS REINVESTED	934,039	685,471

SEE NOTES TO FINANCIAL STATEMENTS.

#### FINANCIAL HIGHLIGHTS

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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.

	Year Ended Sep		
	2003	2002 (a)	2001
<hr style="border-top: 1px dashed black;"/>			
PER SHARE DATA (\$):			
Net asset value, beginning of period	9.37	9.66	9.37
Investment Operations:			
Investment income--net	.71 (b)	.81 (b)	.81
Net realized and unrealized gain (loss) on investments	(.15)	(.35)	.00
Dividends on Preferred Stock from net investment income	(.07)	(.08)	(.08)
Total from Investment Operations	.49	.38	.73
Distributions to Common Shareholders:			
Dividends from investment income--net	(.72)	(.67)	(.67)
Dividends from net realized gain on investments	--	--	--
Total Distributions to Common Shareholders	(.72)	(.67)	(.67)
Capital Stock transactions, net effect of Preferred Stock offerings	--	--	--
Net asset value, end of period	9.14	9.37	9.37
Market value, end of period	9.38	10.11	9.37
<hr style="border-top: 1px dashed black;"/>			
TOTAL RETURN (%) (C)	.33	11.89	20.20

The Fund

FINANCIAL HIGHLIGHTS (CONTINUED)

	Year Ended S		
	2003	2002 (a)	2001
<hr style="border-top: 1px dashed black;"/>			



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### RATIOS/SUPPLEMENTAL DATA (%):

Ratio of expenses to average net assets applicable to Common Stock	1.40 (d,e)	1.38 (d,e)	1.39 (d)
Ratio of net investment income to average net assets applicable to Common Stock	7.86 (d,e)	8.61 (d,e)	8.49 (d)
Portfolio Turnover Rate	54.79	36.81	10.07
Asset coverage of Preferred Stock, end of period	293	294	299
-----			
Net Assets, net of Preferred Stock, end of period (\$ x 1,000)	549,676	554,757	565,725
Preferred Stock outstanding, end of period (\$ x 1,000)	285,000	285,000	285,000

(A) AS REQUIRED, EFFECTIVE OCTOBER 1, 2001, THE FUND HAS ADOPTED THE PROVISIONS OF THE AICPA AUDITING STANDARDS FOR INVESTMENT COMPANIES AND BEGAN AMORTIZING DISCOUNT OR PREMIUM ON A SCIENTIFIC BASIS FOR DEBT SECURITIES. THE RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS FOR THE YEAR ENDED SEPTEMBER 30, 2002 WAS TO INCREASE NET INVESTMENT INCOME PER SHARE BY LESS THAN \$.01 AND INCREASE THE RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS FROM 8.58% TO 8.61%. PER SHARE RATIOS FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000 HAVE NOT BEEN RESTATED TO REFLECT THIS CHANGE IN PRESENTATION.

(B) BASED ON AVERAGE SHARES OUTSTANDING AT EACH MONTH END.

(C) CALCULATED BASED ON MARKET VALUE.

(D) DOES NOT REFLECT THE EFFECT OF DIVIDENDS TO PREFERRED STOCKHOLDERS.

(E) THE RATIO OF EXPENSES TO TOTAL AVERAGE NET ASSETS, INCLUSIVE OF THE OUTSTANDING AUCTION PREFERRED STOCK, AND THE RATIO OF NET INVESTMENT INCOME TO TOTAL AVERAGE NET ASSETS WERE .92% AND 5.15%, RESPECTIVELY, FOR THE YEAR ENDED SEPTEMBER 30, 2002, .91% AND 5.69%, RESPECTIVELY, FOR THE YEAR ENDED SEPTEMBER 30, 2001, .92% AND 5.65%, RESPECTIVELY, FOR THE YEAR ENDED SEPTEMBER 30, 2001 AND .92% AND 5.79%, RESPECTIVELY, FOR THE YEAR ENDED SEPTEMBER 30, 2000.

SEE NOTES TO FINANCIAL STATEMENTS.

### NOTES TO FINANCIAL STATEMENTS

#### 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 wholly-owned 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 for a total of 11,400 shares of Auction Preferred Stock ("APS"), with a liquidation preference of \$25,000 per share (plus an amount equal to

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accumulated but unpaid dividends upon liquidation) . APS dividend rates are determined pursuant to periodic auctions. Deutsche Bank Trust Company America, as Auction Agent, receives a fee from the fund for its services in connection with such auctions. The fund also compensates broker-dealers generally at an annual rate of .25% of the purchase price of the shares of APS placed by the broker-dealer in an auction.

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

The holders of the APS, voting as a separate class, have the right to elect at least two directors. The holders of the APS will vote as a separate class on certain other matters, as required by law. The fund has designated Robin 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 Fun

### NOTES TO FINANCIAL STATEMENTS (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 (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 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.

(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 discount and premium on investments, is earned from settlement date and recognized on the accrual basis. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled a month or more after the trade date.

(c) Dividends to shareholders of Common Stock (" Common 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, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with distribution requirements of the Internal

Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gain can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gain. Income and capital gain distributions are

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determined in accordance with income tax regulations, which may differ from accounting principles generally accepted in the United States.

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 September 30, 2003, the Board of Directors declared a cash dividend of \$.06 per share from investment income-net, payable on October 29, 2003 to Common Shareholders of record as of the close of business on October 15, 2003.

(d) Dividends to shareholders of APS: For APS, dividends are currently reset every 7 days for Series Th. The dividend rate for Series M will be in effect until November 8, 2004. The dividend rate for Series T will be in effect until July 20, 2004. The dividend rate for Series W will be in effect until December 3, 2003. The dividend rate for Series F will be in effect until February 13, 2005. The dividend rates in effect at September 30, 2003 were as follows: Series M-1.40%, Series T-1.07%, Series W-1.65%, Series TH-.90% and Series F-1.64%.

(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.

At September 30, 2003, the components of accumulated earnings on a tax basis were as follows: undistributed tax exempt income \$6,055,850, accumulated capital losses \$30,487,747 and unrealized appreciation \$33,346,093. In addition, the fund had \$25,972,240 of capital losses real The Fund

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

ized after October 31, 2002, which were deferred for tax purposes to the first day of the following fiscal year.

The accumulated capital loss carryover is available to be applied against future net securities profits, if any, realized subsequent to September 30, 2003. If not applied, \$9,836,505 of the carryover expires in fiscal 2009, \$76,128 expires in fiscal 2010 and \$20,575,114 expires in fiscal 2011.

The tax character of distributions paid to shareholders during the fiscal periods ended September 30, 2003 and September 30, 2002, respectively, were as follows: tax exempt income of \$47,191,937 and \$43,989,948.

During the period ended September 30, 2003, as a result of permanent book to tax differences, the fund decreased accumulated undistributed investment income-net by \$163,336, increased accumulated net realized gain (loss) on investments by \$106,706 and increased paid-in capital by \$56,630. Net assets were not affected by this reclassification.

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

The fund participates with other Dreyfus-managed funds in a \$100 million unsecured line of credit primarily to be utilized for temporary or emergency purposes. Interest is charged to the fund based on prevailing market rates in effect at the time of borrowings. During the period ended September 30, 2003, the fund did not borrow under the line of credit.

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

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(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, inclusive of the outstanding auction preferred stock, and is payable monthly. The Agreement provides for an expense reimbursement from the Manager should the fund's aggregate expenses, exclusive of taxes, interest on borrowings, brokerage and extraordinary expenses, in any full fiscal year exceed the lesser of (1) the expense limitation of any state having jurisdiction over the fund or (2) 2% of the first \$10 million, 1 1/2% 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 September 30, 2003, 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 September 30, 2003, \$140,593 was charged by Boston Safe Deposit and Trust Company pursuant to the custody agreement.

(c) Through January 27, 2003, each Board member who is not an "affiliated person" as defined in the Act received from the fund an annual fee at the rate of \$4,500 and an attendance fee of \$500 per meeting. Each such Board member also serves as a Board member of other Funds within the Dreyfus complex (collectively, the "Fund Group"). After January 27, 2003, Board compensation was changed from a "Fund by Fund" basis to a "Fund Group" basis; this compensation arrangement effectively allocates the fees among the funds in the group in proportion to each fund's relative net assets. Aggregate fees paid to each Board member with respect to the period ended September 30, 2003 were \$4,373, with an average attendance fee per meeting of \$534. The Chairman of the Board receives an additional 25% of such compensation. Subject to the fund's Emeritus Program Guidelines, Emeritus Board members, if any, receive 50% of the annual retainer fee and per meeting fee paid at the time the Board member achieves emeritus status.

### NOTE 4--Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended September 30, 2003, amounted to \$443,627,807 and \$438,353,567, respectively.

At September 30, 2003, the cost of investments for federal income tax purposes was \$788,204,797; accordingly, accumulated net unrealized appreciation on investments was \$33,346,093, consisting of \$43,329,682 gross unrealized appreciation and \$9,983,589 gross unrealized depreciation.

The Fund

### REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors Dreyfus Strategic Municipals, Inc.

We have audited the accompanying statement of assets and liabilities of Dreyfus Strategic Municipals, Inc., including the statement of investments, as of September 30, 2003, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the years indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit

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to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included verification by examination of securities held by the custodian as of September 30, 2003 and confirmation of securities not held by the custodian by correspondence with others. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Dreyfus Strategic Municipals, Inc. at September 30, 2003, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the indicated years, in conformity with accounting principles generally accepted in the United States.

New York, New York

November 5, 2003

### ADDITIONAL INFORMATION (Unaudited)

#### Dividend Reinvestment and Cash Purchase Plan

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

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

A Common Shareholder who has fund shares registered in his name may elect to withdraw from the Plan at any time for a \$2.50 fee and thereby elect to receive cash in lieu of shares of the fund. Changes in elections must be in writing, sent to The Bank of New York, Dividend Reinvestment Department, P.O. Box 1958, Newark, New Jersey 07101-9774, should include the shareholder's name and address as they appear on the Agent's records and will be effective only if received more than fifteen days prior to the record date for any distribution.

A Plan participant who has fund shares in his name has the option of making additional cash payments to the Agent, semi-annually, in any amount from \$1,000 to \$10,000, for investment in the fund's shares in the open market on or about

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January 15 and July 15. Any voluntary cash payments received more than 30 days prior to these dates will be The Fund

### ADDITIONAL INFORMATION (Unaudited) (CONTINUED)

returned by the Agent, and interest will not be paid on any uninvested cash payments. A participant may withdraw a voluntary cash payment by written notice, if the notice is received by the Agent not less than 48 hours before the payment is to be invested. A Common Shareholder who owns fund shares registered in street name should consult his broker/dealer to determine whether an additional cash purchase option is available through his broker/dealer.

The Agent maintains all Common Shareholder accounts in the Plan and furnishes written confirmations of all transactions in the accounts. Shares in the account of each Plan participant will be held by the Agent in non-certificated form in the name of the participant, and each such participant's proxy will include those shares purchased pursuant to the Plan.

The fund pays the Agent's fee for reinvestment of dividends and distributions. Plan participants pay a pro rata share of brokerage commissions incurred with respect to the Agent's open market purchases and purchases from voluntary cash payments, and a \$1.25 fee for each purchase made from a voluntary cash payment.

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

### Managed Dividend Policy

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

the fund for any particular month may be more or less than the amount of net investment income earned by the fund during such month. The fund's current accumulated but undistributed net investment income, if any, is disclosed in the Statement of Assets and Liabilities, which comprises part of the Financial Information included in this report.

### Benefits and Risks of Leveraging

The fund utilizes leverage to seek to enhance the yield and net asset value of its Common Stock. These objectives cannot be achieved in all interest rate environments. To leverage, the fund issues Preferred Stock, which pays dividends at prevailing short-term interest rates, and invests the proceeds in long-term municipal bonds. The interest earned on these investments is paid to Common Shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share net asset value of the fund's Common Stock. In order to benefit Common Shareholders, the yield curve must be positively sloped: that is, short-term interest rates must be lower than long-term interest rates. At the same time, a period of generally declining interest rates will benefit Common Shareholders. If either of these conditions change, then the risk of leveraging will begin to outweigh the benefits.

### Supplemental Information

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During the period ended September 30, 2003, shareholders approved changes in the fund's fundamental investment policies to permit the fund to engage in swap transactions and to invest in other investment companies. Otherwise, during the period ended, there were: (i) no material changes in the fund's investment objective or policies, (ii) no changes in the fund's charter or by-laws that would delay or prevent a change of control of the fund, and (iii) no material changes in the principal risk factors associated with investment in the fund. In addition, on November 1, 2002, W. Michael Petty was assigned as the person primarily responsible for the day-to-day management of the fund's portfolio.

The Fund

IMPORTANT TAX INFORMATION (Unaudited)

In accordance with federal tax law, the fund hereby designates all the dividends paid from investment income-net during the fiscal year ended September 30, 2003 as "exempt-interest dividends" (not generally subject to regular federal income tax) .

As required by federal tax law rules, shareholders will receive notification of their portion of the fund's taxable ordinary dividends (if any) and capital gain distributions (if any) paid for the 2003 calendar year on Form 1099-DIV which will be mailed by January 31, 2004.

PROXY RESULTS (Unaudited)

Holders of Common Stock and holders of Auction Preferred Stock ("APS") voted together as a single class (except as noted below) on the following proposals presented at the annual shareholders' meeting held on May 16, 2003.

	----- For -----
To elect three Class I Directors:(+)	
David W. Burke	29,261,714
Hans C. Mautner	29,261,714
John E. Zuccotti((+)(+))	10,410

((+)) THE TERMS OF THESE CLASS I DIRECTORS EXPIRE IN 2006.

((+)(+)) ELECTED SOLELY BY APS HOLDERS; COMMON SHAREHOLDERS NOT ENTITLED TO VOTE.

	----- For -----
To approve a change to the fundamental	

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investment policies and investment restrictions  
of the fund to permit the fund to:

* Engage in swap transactions	22,276,026
* Invest in other investment companies, and to make that policy non-fundamental	22,098,043

The Fund

### BOARD MEMBERS INFORMATION (Unaudited)

JOSEPH S. DIMARTINO (60)

CHAIRMAN OF THE BOARD (1995) Current term expires in 2004

#### PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

\* Corporate Director and Trustee

#### OTHER BOARD MEMBERSHIPS AND AFFILIATIONS:

\* The Muscular Dystrophy Association, Director

\* Levcor International, Inc., an apparel fabric processor, Director

\* Century Business Services, Inc., a provider of outsourcing functions for small and medium size companies, Director

\* The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director

NO. OF PORTFOLIOS FOR WHICH BOARD MEMBER SERVES: 191

-----

DAVID W. BURKE (67)

BOARD MEMBER (1994) Current term expires in 2006

#### PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

\* Corporate Director and Trustee

#### OTHER BOARD MEMBERSHIPS AND AFFILIATIONS:

\* John F. Kennedy Library Foundation, Director

\* U.S.S. Constitution Museum, Director

NO. OF PORTFOLIOS FOR WHICH BOARD MEMBER SERVES: 87

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WILLIAM HODDING CARTER III (68)

BOARD MEMBER (1988) Current term expires in 2004

#### PRINCIPAL OCCUPATION DURING PAST 5 YEARS:



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\* President and Chief Executive Officer of the John S. and James L. Knight Foundation (1998-present)

\* President and Chairman of MainStreet TV (1985-1998)

\* Knight Professor in Journalism at the University of Maryland (1995-1998)

### OTHER BOARD MEMBERSHIPS AND AFFILIATIONS:

\* Independent Sector, Director

\* The Century Foundation, Director

\* The Enterprise Corporation of the Delta, Director

\* Foundation of the Mid-South, Director

NO. OF PORTFOLIOS FOR WHICH BOARD MEMBER SERVES: 7

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EHUD HOUMINER (63)

BOARD MEMBER (1994) Current term expires in 2005

### PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

\* Executive-in-Residence at the Columbia Business School, Columbia University

\* Principal of Lear, Yavitz and Associates, a management consulting firm, from 1996 through 2001

### OTHER BOARD MEMBERSHIPS AND AFFILIATIONS:

\* Avnet Inc., an electronics distributor, Director

\* International Advisory Board to the MBA Program School of Management, Ben Gurion University, Chairman

\* Explore Charter School, Brooklyn, NY, Chairman

NO. OF PORTFOLIOS FOR WHICH BOARD MEMBER SERVES: 25

RICHARD C. LEONE (63)

BOARD MEMBER (1989) Current term expires in 2004

### PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

\* President of The Century Foundation (formerly, The Twentieth Century Fund, Inc.), a tax exempt research foundation engaged in the study of economic, foreign policy and domestic issues

NO. OF PORTFOLIOS FOR WHICH BOARD MEMBER SERVES: 7

-----

HANS C. MAUTNER (65)

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BOARD MEMBER (1989) Current term expires in 2006

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

\* President--International Division and an Advisory Director of Simon Property Group, a real estate investment company (1998-present)

\* Director and Vice Chairman of Simon Property Group (1998-2003)

\* Chairman and Chief Executive Officer of Simon Global Limited (1999-present)

\* Chairman, Chief Executive Officer and a Trustee of Corporate Property Investors, which merged into Simon Property Group in 1998 (1972-1998)

NO. OF PORTFOLIOS FOR WHICH BOARD MEMBER SERVES: 7

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ROBIN A. PRINGLE (40)

BOARD MEMBER (1995) Current term expires in 2005

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

\* Senior Vice President of Mentor/National Mentoring Partnership, a national non-profit organization that is leading the movement to connect America's young people with caring adult mentors

NO. OF PORTFOLIOS FOR WHICH BOARD MEMBER SERVES: 7

-----

JOHN E. ZUCCOTTI (66)

BOARD MEMBER (1989) Current term expires in 2006

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

\* Chairman of Brookfield Financial Properties, Inc.

NO. OF PORTFOLIOS FOR WHICH BOARD MEMBER SERVES: 7

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THE ADDRESS OF EACH BOARD MEMBER IS C/O THE DREYFUS CORPORATION, 200 PARK AVENUE, NEW YORK, NY 10166.

The Fund

OFFICERS OF THE FUND (Unaudited)

STEPHEN E. CANTER, PRESIDENT SINCE MARCH 2000.

Chairman of the Board, Chief Executive Officer and Chief Operating Officer of the Manager, and an officer of 95 investment companies (comprised of 188 portfolios) managed by the Manager. Mr. Canter also is a Board member and, where applicable, an Executive Committee Member of the other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of the Manager. He is 58 years old and has been an employee of the Manager since May 1995.

STEPHEN R. BYERS, EXECUTIVE VICE PRESIDENT SINCE NOVEMBER 2002.

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Chief Investment Officer, Vice Chairman and a Director of the Manager, and an officer of 95 investment companies (comprised of 188 portfolios) managed by the Manager. Mr. Byers also is an Officer, Director or an Executive Committee Member of certain other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of the Manager. He is 50 years old and has been an employee of the Manager since January 2000. Prior to joining the Manager, he served as an Executive Vice President-Capital Markets, Chief Financial Officer and Treasurer at Gruntal & Co., L.L.C.

A. PAUL DISDIER, EXECUTIVE VICE PRESIDENT SINCE MARCH 2000.

Executive Vice President of the Fund, Director of Dreyfus Municipal Securities, and an officer of 3 other investment companies (comprised of 3 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since February 1988.

MARK N. JACOBS, VICE PRESIDENT SINCE MARCH 2000.

Executive Vice President, Secretary and General Counsel of the Manager, and an officer of 96 investment companies (comprised of 204 portfolios) managed by the Manager. He is 57 years old and has been an employee of the Manager since June 1977.

JOHN B. HAMMALIAN, SECRETARY SINCE MARCH 2000.

Associate General Counsel of the Manager, and an officer of 37 investment companies (comprised of 46 portfolios) managed by the Manager. He is 40 years old and has been an employee of the Manager since February 1991

MICHAEL A. ROSENBERG, ASSISTANT SECRETARY SINCE MARCH 2000.

Associate General Counsel of the Manager, and an officer of 93 investment companies (comprised of 197 portfolios) managed by the Manager. He is 43 years old and has been an employee of the Manager since October 1991.

STEVEN F. NEWMAN, ASSISTANT SECRETARY SINCE MARCH 2000.

Associate General Counsel and Assistant Secretary of the Manager, and an officer of 96 investment companies (comprised of 204 portfolios) managed by the Manager. He is 54 years old and has been an employee of the Manager since July 1980.

JAMES WINDELS, TREASURER SINCE NOVEMBER 2001.

Director - Mutual Fund Accounting of the Manager, and an officer of 96 investment companies (comprised of 204 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since April 1985.

GREGORY S. GRUBER, ASSISTANT TREASURER SINCE MARCH 2000.

Senior Accounting Manager - Municipal Bond Funds of the Manager, and an officer of 29 investment companies (comprised of 58 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since August 1981.

KENNETH J. SANDGREN, ASSISTANT TREASURER SINCE NOVEMBER 2001.

Mutual Funds Tax Director of the Manager, and an officer of 96 investment companies (comprised of 204 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since June 1993.

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The Fund

NOTES

NOTES

OFFICERS AND DIRECTORS

Dreyfus Strategic Municipals, Inc.

200 Park Avenue

New York, NY 10166

DIRECTORS

Joseph S. DiMartino

David W. Burke

William Hodding Carter, III

Ehud Houminer

Richard C. Leone

Hans C. Mautner

Robin A. Pringle(\*)

John E. Zuccotti(\*)

\* AUCTION PREFERRED STOCK DIRECTORS

OFFICERS

President

Stephen E. Canter

Vice President

Mark N. Jacobs

Executive Vice Presidents

Stephen Byers

A. Paul Disdier

Secretary

John B. Hammalian

Assistant Secretaries

Steven F. Newman

Michael A. Rosenberg

Treasurer

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James Windels

Assistant Treasurers

Gregory S. Gruber

Kenneth J. Sandgren

Anti-Money Laundering Compliance Officer

William Germenis

PORTFOLIO MANAGERS:

Joseph P. Darcy

A. Paul Disdier

Douglas J. Gaylor

PORTFOLIO MANAGERS (CONTINUED)

Joseph A. Irace

Colleen A. Meehan

W. Michael Petty

Scott Sprauer

James Welch

Monica S. Wieboldt

INVESTMENT ADVISER

The Dreyfus Corporation

CUSTODIAN

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)

Deutsche Bank Trust Company America (Auction Preferred Stock)

AUCTION AGENT

Deutsche Bank Trust Company America (Auction Preferred Stock)

STOCK EXCHANGE LISTING

NYSE Symbol: LEO

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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--NATIONAL MUNICIPAL BOND FUNDS" EVERY SUNDAY.

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

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)

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

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## ITEM 2. CODE OF ETHICS.

The Registrant has adopted a code of ethics that applies to the Registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

## ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

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

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ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable.

ITEM 6. [RESERVED]

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable.

ITEM 8. [RESERVED]

ITEM 9. CONTROLS AND PROCEDURES.

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

(b) There were no changes to the Registrant's internal control over financial reporting that occurred during the Registrant's most recently ended fiscal half-year that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

ITEM 10. EXHIBITS.

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

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

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

### SIGNATURES

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

DREYFUS STRATEGIC MUNICIPALS, INC.

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By: /s/Stephen E. Canter

\_\_\_\_\_  
Stephen E. Canter  
President

Date: November 21, 2003

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

By: /s/Stephen E. Canter

\_\_\_\_\_  
Stephen E. Canter  
Chief Executive Officer

Date: November 21, 2003

By: /s/James Windels

\_\_\_\_\_  
James Windels  
Chief Financial Officer

Date: November 21, 2003

EXHIBIT INDEX

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

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

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