

DREYFUS STRATEGIC MUNICIPALS INC  
Form N-CSR/A  
February 20, 2007

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

FORM N-CSR/A

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

Investment Company Act file number 811-5245

Dreyfus Strategic Municipals, Inc.  
(Exact name of Registrant as specified in charter)

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

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

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

Date of fiscal year end: 9/30

Date of reporting period: 9/30/06

---

**FORM N-CSR**

**Item 1. Reports to Stockholders.**

---

**Dreyfus Strategic Municipals, Inc.**

**Protecting Your Privacy Our Pledge to You**

**THE FUND IS COMMITTED TO YOUR PRIVACY.** On this page, you will find the Fund's policies and practices for collecting, disclosing, and safeguarding nonpublic personal information, which may include financial or other customer information. These policies apply to individuals who purchase Fund shares for personal, family, or

household purposes, or have done so in the past. This notification replaces all previous statements of the Fund's consumer privacy policy, and may be amended at any time. We'll keep you informed of changes as required by law.

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

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

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

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

**THE FUND DOES NOT SHARE NONPUBLIC**

**PERSONAL INFORMATION WITH ANYONE, EXCEPT AS PERMITTED BY LAW.**

*Thank you for this opportunity to serve you.*

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

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

---

# Contents

	<b>THE FUND</b>
<b>2</b>	Letter from the Chairman
<b>3</b>	Discussion of Fund Performance
<b>6</b>	Selected Information
<b>7</b>	Statement of Investments
<b>25</b>	Statement of Financial Futures
<b>26</b>	Statement of Assets and Liabilities
<b>27</b>	Statement of Operations
<b>28</b>	Statement of Changes in Net Assets
<b>29</b>	Financial Highlights
<b>30</b>	Notes to Financial Statements
<b>38</b>	Report of Independent Registered Public Accounting Firm
<b>40</b>	Additional Information
<b>43</b>	Important Tax Information
<b>44</b>	Proxy Results
<b>45</b>	Board Members Information

48

Officers of the Fund

53

Officers and Directors

FOR MORE INFORMATION

---

Back Cover

---

**Dreyfus  
Strategic Municipals, Inc.**

# The Fund

## LETTER FROM THE CHAIRMAN

Dear Shareholder:

We are pleased to present this annual report for Dreyfus Strategic Municipals, Inc., covering the 12-month period from October 1, 2005, through September 30, 2006.

After more than two years of steady and gradual increases, the Federal Reserve Board (the "Fed") held short-term interest rates unchanged at its meetings in August and September. The Fed has indicated that the U.S. economy has moved to a slower-growth phase of its cycle, as evidenced by softening housing markets in many regions of the United States. Yet, energy prices have moderated from record highs, calming fears that the economy may fall into a full-blown recession.

Most sectors of the U.S. fixed-income market rallied in anticipation of and in response to the pause in the Fed's tightening campaign, including municipal bonds. Investors apparently are optimistic that higher borrowing costs and moderating home values may wring current inflationary pressures from the economy. In addition, most states and municipalities have continued to report higher-than-expected tax receipts as a result of the recovering economy, helping to support the credit quality of many municipal bond issuers. As always, we encourage you to talk with your financial advisor about these and other developments to help ensure that your portfolio remains aligned with your current tax-managed needs and future investment goals.

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

Thank you for your continued confidence and support.

2

---

## DISCUSSION OF FUND PERFORMANCE

W. Michael Petty, Portfolio Manager

### **How did Dreyfus Strategic Municipals perform during the reporting period?**

For the 12-month period ended September 30, 2006, the fund achieved a total return of 6.92% (on a net asset value basis).<sup>1</sup> During the same period, the fund provided income dividends of \$0.52 per share, which is equal to a

distribution rate of 5.66% .2

Municipal bonds rallied over the summer of 2006 as the Federal Reserve Board (the "Fed") refrained from raising short-term interest rates and investors looked forward to a slower-growth economic environment, enabling the fund to post a competitive total return. Relatively high levels of income from the fund's core holdings also helped drive its performance, but some of those seasoned bonds were redeemed early by their issuers. In addition, rising short-term interest rates resulted in higher borrowing costs for the fund's auction preferred shares. These factors resulted in a reduction in the fund's dividend in February 2006.

#### **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 a portfolio derived from seeking income opportunities through analysis of each bond's structure, including paying close attention to each bond's yield, maturity and early redemption features.

The Fund **3**

---

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

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

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

Over the first half of the reporting period, investors' low inflation expectations helped support municipal bond prices despite fairly robust levels of economic growth and rising short-term interest rates. In the spring of 2006, however, stronger labor markets, record oil prices and hawkish comments by some Fed members raised renewed concerns that inflation might be accelerating, and bond prices began to fall. Fortunately, these worries proved to be overblown as fuel prices declined and U.S. housing markets softened over the summer. The Fed lent credence to a more benign outlook for the economy and inflation when, after more than two years of steady rate hikes, it held short-term interest rates unchanged at its meetings in August and September.

Municipal bond prices also were supported by favorable supply-and-demand factors throughout the reporting period. Many states and municipalities received higher levels of tax revenue than originally projected, reducing their need to borrow. Consequently, the supply of newly issued municipal bonds fell compared to the same period one year earlier. Yet, demand remained robust from both individual and institutional investors seeking competitive levels of tax-free income.

As short-term interest rates rose, longer-term bond yields remained relatively stable, contributing to a narrowing of yield differences along the fund's maturity spectrum. Later, longer-term bond yields fell while short-term rates remained stable, and yield differences narrowed further. The fund benefited from this trend by maintaining its focus on long-term, income-oriented bonds. The fund received especially

**4**

---

strong results from its lower-rated holdings, including municipal bonds backed by U.S. airlines and educational facilities. Our security selection strategy proved to be successful in the airline sector, as we chose securities from solvent carriers and avoided those from airlines that declared bankruptcy early in the reporting period.

On the other hand, the fund's strong relative performance was eroded somewhat by higher borrowing costs related to its leveraging strategy, which relies on the issuance of auction preferred stock. In addition, as expected, some of the fund's seasoned, higher-coupon holdings were redeemed early by their issuers, and we were unable to replace them with new securities with similar income characteristics. The fund consequently generated incrementally less income, requiring an adjustment to its dividend distribution rate in February 2006.

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

Signs of a moderate economic slowdown suggest to us that the Fed is unlikely to raise or lower short-term interest rates over the foreseeable future. If current inflationary pressures wane and the U.S. economy achieves a "soft landing" as we expect, we may begin to increase the fund's average duration to lock in prevailing yields for a longer period and position the fund for wider yield differences along the maturity spectrum.

October 16, 2006

- <sup>1</sup> Total return includes reinvestment of dividends and any capital gains paid, based upon net asset value per share. Past performance is no guarantee of future results. Market price per share, net asset value per share and investment return fluctuate. Income may be subject to state and local taxes, and some income may be subject to the federal alternative minimum tax (AMT) for certain investors. Capital gains, if any, are fully taxable. Return figure provided reflects the absorption of certain fund expenses by The Dreyfus Corporation pursuant to an agreement in effect until May 31, 2007, at which time it may be extended, modified or terminated. Had these expenses not been absorbed, the fund's return would have been lower.
- <sup>2</sup> Distribution rate per share is based upon dividends per share paid from net investment income during the period, divided by the market price per share at the end of the period.

The Fund 5

**STATEMENT SELECTED INFORMATION OF INVESTMENTS**

September 30, 2006 (Unaudited)

Market Price per share September 30, 2006	\$9.18
Shares Outstanding September 30, 2006	60,588,631
New York Stock Exchange Ticker Symbol	LEO

**MARKET PRICE (NEW YORK STOCK EXCHANGE)**

Fiscal Year Ended September 30, 2006

	<b>Quarter Ended December 31, 2005</b>	<b>Quarter Ended March 31, 2006</b>	<b>Quarter Ended June 30, 2006</b>	<b>Quarter Ended September 30, 2005</b>
High	\$8.87	\$8.90	\$8.90	\$9.25
Low	8.26	8.55	8.51	8.63
Close	8.55	8.89	8.60	9.18

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

September 23, 1987 (commencement of operations)

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

through September 30, 2006	258.11%
October 1, 1996 through September 30, 2006	78.78
October 1, 2001 through September 30, 2006	33.70
October 1, 2005 through September 30, 2006	9.74
January 1, 2006 through September 30, 2006	12.06
April 1, 2006 through September 30, 2006	6.20
July 1, 2006 through September 30, 2006	8.22

**NET ASSET VALUE PER SHARE**

September 23, 1987 (commencement of operations)	\$ 9.32
September 30, 2005	9.38
December 31, 2005	9.31
March 31, 2006	9.29
June 30, 2006	9.21
September 30, 2006	9.46

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

September 23, 1987 (commencement of operations)	
through September 30, 2006	295.89%
October 1, 1996 through September 30, 2006	86.48
October 1, 2001 through September 30, 2006	38.18
October 1, 2005 through September 30, 2006	6.92
January 1, 2006 through September 30, 2006	6.03
April 1, 2006 through September 30, 2006	4.72
July 1, 2006 through September 30, 2006	4.12

\* With dividends reinvested.

6

**STATEMENT OF INVESTMENTS**

September 30, 2006

<b>Long-Term Municipal Investments</b> $\square$ <b>154.8%</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Alabama</b> $\square$ <b>5.3%</b>				
Houston County Health Care Authority (Insured; AMBAC)	6.25	10/1/09	8,000,000 <sup>a</sup>	8,674,240
Jefferson County, Limited Obligation School Warrants	5.25	1/1/18	16,000,000	17,190,400
Jefferson County, Limited Obligation School Warrants	5.50	1/1/22	4,000,000	4,349,440
<b>Alaska</b> $\square$ <b>.7%</b>				
Alaska Housing Finance Corp. (Insured; MBIA)	6.00	6/1/49	4,000,000	4,182,560
<b>Arizona</b> $\square$ <b>4.1%</b>				
Coconino County Pollution Control				

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

Corp., PCR (Nevada Power Co. Project)	6.38	10/1/36	3,500,000	3,570,455
Maricopa County Pollution Control Corp., PCR (Public Service Co. of New Mexico Palo Verde Project)	5.75	11/1/22	6,000,000	6,067,920
Navajo County Industrial Development Authority, IDR (Stone Container Corp. Project)	7.40	4/1/26	1,585,000	1,625,576
Queen Creek Improvement District Number 001, Special Assessment Revenue	5.00	1/1/32	2,000,000 <sup>b</sup>	2,032,400
Scottsdale Industrial Development Authority, HR (Scottsdale Healthcare)	5.80	12/1/11	6,000,000 <sup>a</sup>	6,656,340
Tucson, Water System Revenue (Insured; FGIC)	5.00	7/1/21	3,500,000	3,712,310
<b>Arkansas</b> 1.6%				
Arkansas Development Finance Authority, SFMR (Mortgage Backed Securities Program) (Collateralized: FNMA and GNMA)	6.25	1/1/32	2,675,000	2,733,689
Little Rock School District (Insured; FSA)	5.25	2/1/30	6,000,000	6,252,900
<b>California</b> 8.9%				
California, GO	5.25	4/1/34	5,000,000	5,331,650
California, GO (Various Purpose)	5.50	4/1/28	3,565,000	3,933,051

The Fund 7

STATEMENT OF INVESTMENTS (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>California (continued)</b>				
California, GO (Various Purpose)	5.00	2/1/33	10,000,000	10,388,100
California Pollution Control Financing Authority, SWDR (Keller Canyon Landfill Co. Project)	6.88	11/1/27	2,000,000	2,013,520
California Statewide Communities Development Authority, Revenue (Bentley School)	6.75	7/1/32	2,000,000	2,178,600
Golden State Tobacco				

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

Securitization Corp., Tobacco Settlement Asset-Backed Bonds Golden State Tobacco	5.00	6/1/21	1,620,000	1,634,791
Securitization Corp., Tobacco Settlement Asset-Backed Bonds Golden State Tobacco	7.80	6/1/42	8,100,000	9,888,885
Securitization Corp., Tobacco Settlement Asset-Backed Bonds Los Angeles Unified School District (Insured; FSA)	7.90	6/1/42	2,000,000	2,453,320
State Public Works Board of California, LR Department of General Services (Butterfield State Office Complex)	5.25	7/1/20	7,200,000	7,859,016
<b>Colorado</b> 6.1%				
Beacon Point Metropolitan District, GO	5.25	6/1/30	5,000,000	5,316,300
Colorado Housing Finance Authority (Collateralized; FHA)	6.25	12/1/35	2,000,000	2,134,180
Denver City and County, Special Facilities Airport Revenue (United Airlines Project)	6.60	8/1/32	2,100,000	2,172,702
Northwest Parkway Public Highway Authority, Revenue	6.88	10/1/32	7,135,000 <sup>c</sup>	9,114,962
Salida Hospital District, HR	7.13	6/15/41	10,750,000	10,723,663
Silver Dollar Metropolitan District, GO	5.25	10/1/36	3,500,000 <sup>b</sup>	3,481,660
Southlands Metropolitan District Number 1, GO	7.05	12/1/06	4,870,000 <sup>a</sup>	4,898,295
	7.13	12/1/34	2,000,000	2,214,880

8

---

**Long-Term Municipal  
Investments (continued)**

---

Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
--------------------	------------------	--------------------------	------------

---

**Florida** 4.3%

Deltona, Utilities System Revenue (Insured; MBIA)	5.13	10/1/27	6,000,000	6,358,080
Florida Housing Finance Corp., Housing Revenue (Nelson Park Apartments) (Insured; FSA)	6.40	3/1/40	5,000	5,290



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

Florida Housing Finance Corp., Housing Revenue (Nelson Park Apartments) (Insured; FSA)	11.23	3/1/40	12,375,000 <sup>d,e</sup>	13,091,636
Highlands County Health Facilities Authority, HR (Adventist Health System/Sunbelt Obligated Group)	5.25	11/15/36	2,000,000	2,120,820
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/09	45,000 <sup>a</sup>	48,421
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System) Palm Bay, Educational Facilities Revenue (Patriot Charter School Project)	6.00	10/1/26	1,955,000	2,075,193
<b>Georgia</b> 2.2%	7.00	7/1/36	1,000,000	1,085,560
Augusta, Water and Sewer Revenue (Insured; FSA)	5.25	10/1/39	3,000,000	3,219,660
Brooks County Development Authority, Senior Health and Housing Facilities Revenue (Presbyterian Home, Quitman, Inc.) (Collateralized; GNMA)	5.70	1/20/39	4,445,000	4,889,189
Milledgeville-Baldwin County Development Authority, Revenue (Georgia College and State Foundation)	6.00	9/1/13	2,090,000	2,303,577
Milledgeville-Baldwin County Development Authority, Revenue (Georgia College and State Foundation)	6.00	9/1/33	2,000,000	2,195,920

The Fund 9

STATEMENT OF INVESTMENTS (continued)

<b>Long-Term Municipal Investments (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Hawaii</b> 0.5%				
Hawaii Department of Transportation, Special Facilities Revenue (Caterair International Corp. Project)	10.13	12/1/10	2,600,000	2,602,236
<b>Idaho</b> 0.6%				

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

Power County Industrial Development Corp., SWDR (FMC Corp. Project)	6.45	8/1/32	3,250,000	3,468,790
<b>Illinois 13.4%</b> Cary, Special Service Area Number One, Special Tax Bonds (Insured; Radian)	5.00	3/1/30	1,950,000	2,011,288
Chicago (Insured; FGIC)	6.13	7/1/10	14,565,000 <sup>a</sup>	16,002,129
Chicago, SFMR (Collateralized: FHLMC, FNMA and GNMA)	6.55	4/1/33	3,440,000	3,490,465
Chicago, Wastewater Transmission Revenue (Insured; MBIA)	6.00	1/1/10	3,000,000 <sup>a</sup>	3,247,290
Chicago O'Hare International Airport, Special Facilities Revenue (American Airlines Inc. Project)	8.20	12/1/24	6,500,000	6,680,050
Illinois Educational Facilities Authority, Revenue (Northwestern University)	5.00	12/1/38	5,000,000	5,190,300
Illinois Educational Facilities				